

On October 30, 2002, without affording ISC any opportunity to develop the agency record relating to the PTO's implementation of its scheme to misuse agency resources and influence, the district court dismissed ISC's Complaint. Rather than addressing the issue of sovereign immunity under Rule 12(b)(1), the district court evaluated ISC's allegations under Fed. R. Civ. P. 12(b)(6). ISC appealed the district court's order because it dismissed ISC's complaint under Rule 12(b)(6) and also because the court failed to apply the standard set forth in *Industrial Safety*.

On appeal, ISC focused in greater detail on the underpinnings for the *Industrial Safety* standard of review by tracing the "presumption" in favor of judicial review to its origin in the *McAnnulty* Doctrine. The "*McAnnulty* Doctrine" refers to this Court's decision in *American School of Magnetic Healing v. McAnnulty*, 187 U.S. 94, 23 S. Ct. 33, 47 L. Ed. 90 (1902). See *Chamber of Commerce of the United States v. Reich*, 74 F.3d 1322, 1327 (D.C. Cir. 1996). The *McAnnulty* Doctrine broadly protects against arbitrary action by agency officials by affording judicial review whenever an agency official's conduct is unauthorized by law or violates the rights of the aggrieved plaintiff. ISC argued that as part of the restructuring of federal question jurisdiction in 1976, Congress provided for *McAnnulty*-type review in the context of federal question jurisdiction and the APA. ISC asserted that post 1976, federal question jurisdiction and the APA's waiver of sovereign immunity provide jurisdiction for the court to review agency action in the nature of a sanction, such as the PTO's misuse of agency resources to cause ISC irreparable harm.

The Fourth Circuit held that the PTO's conduct was not final agency action reviewable under the APA and

therefore the district court lacked subject matter jurisdiction. The Court held as follows:

Because the conduct of the [Patent and Trademark Office] . . . did not constitute "final agency action" as used under the [Administrative Procedure Act], the district court did not have subject matter jurisdiction to evaluate the complaint under Rule 12(b)(6) and s'ould have dismissed this case under Rule 12(b)(1). We therefore vacate its order of October 30, 2002, as well as the supporting opinion, and remand with instructions to dismiss this case under Federal Rule of Civil Procedure 12(b)(1).

Invention Submission Corp. v. Dudas, 413 F.3d 411, 412 (2005); App. p. 2. In reaching this decision, the Fourth Circuit interpreted the scope of review of agency action under the APA to apply only to the text of statements having "regulatory effect." *Invention Submission Corp. v. Rogan*, 357 F.3d. 452, 460; App. p. 35. Under this standard, the PTO's media campaign, which involved the use of false or unauthorized adverse publicity intended to put ISC out of business, was not subject to judicial review because the "text" itself did not have a regulatory effect. *Id.* at 459-60; App. pp. 32-34. The Court observed that the PTO's advertising " . . . did not create 'legal consequences' for Invention Submission or any other member of the public cognizable as final agency action" and that under the regulatory effects standard the harm to ISC's lawful business activities is " . . . attributable to independent responses and choices of third parties and cannot be imputed to the PTO for purposes of determining whether its conduct was a final agency action." *Id.* at 460; App. pp. 34-35.

The Fourth Circuit also concluded that subject matter jurisdiction under *McAnnulty* has not been incorporated into federal question jurisdiction and the APA as argued by ISC. *Id.* at 457; App. p. 29. In its decision, the Fourth Circuit stated that general equity jurisdiction under the *McAnnulty* Doctrine is separate and apart from the APA, rather than incorporated into the APA. *Id.* The Fourth Circuit indicated that although subject matter jurisdiction may rest outside the APA under the *McAnnulty* Doctrine, it did not need to address this issue because ISC had relied on *Industrial Safety* "which was construing the APA itself," and ISC had not raised the issue of subject matter jurisdiction under *McAnnulty* in the district court. *Id.* The Fourth Circuit stated in its opinion that "[f]or these reasons, we do not address whether the '*McAnnulty* Doctrine' which Invention Submission raises for the first time on appeal, provides a basis for judicial review of unlawful agency action." *Id.*

On April 22, 2004, after the Fourth Circuit's mandate was returned, the district court ordered the parties to advise the court within ten days of any reason why the court should not dismiss this civil action under Fed. R. Civ. P. 12(b)(1). Order dated April 22, 2004; App. pp. 18-19. On May 5, 2004, prior to the expiration of the response period, the district court entered an order vacating its October 30, 2002 Order and Memorandum Opinion and dismissing the civil action under Rule 12(b)(1). Order dated May 5, 2004; App. pp. 16-17. On the same day, May 5, 2004, ISC moved under Fed. R. Civ. P. 60 to vacate the entry of the district court's order of May 5, 2004, and moved under Fed. R. Civ. P. 15 and 28 U.S.C. § 1653 for leave to amend its complaint to plead subject matter jurisdiction under the court's general equity jurisdiction known as the

*McAnnulty Doctrine. Plaintiff's Response To Court's Order Dated April 22, 2004, Motion To Vacate Order Of May 5, 2004, and Motion For Leave To File Amended Complaint; App. pp. 51-84.*¹

Except for the jurisdictional basis for its claim, ISC's Amended Complaint did not raise new or additional matters. Based on the same underlying facts, paragraph 1 of ISC's Complaint was revised to plead subject matter jurisdiction as follows:

This court has federal question jurisdiction over the instant case under 28 U.S.C. §1331 as . . . ISC seeks judicial review under the . . . APA and nonstatutory judicial review under the court's general equity jurisdiction and the McAnnulty Doctrine of the . . . PTO[s] conduct in acting and/or failing to act in an official capacity or under color of legal authority. . . .

Motion Exhibit A, Amended Complaint ¶ 1; App. pp. 59-60. By order dated August 13, 2004, the district court denied ISC leave to amend and reaffirmed its prior order of May 5, 2004 dismissing plaintiff's complaint pursuant to Rule 12(b)(1). Order dated August 13, 2004; App. pp. 11-15. Thereafter, ISC appealed the district court's order denying

¹ It is undisputed that the district court's order of May 5, 2004 was entered prior to the expiration of the response period. Under Rule 6(a) of the Federal Rules of Civil Procedure, the computation of any period of time prescribed or allowed by any order of court which is less than 11 days does not include intermediate Saturdays and Sundays. Thus the district court's Order of April 22, 2004, required response on or before May 6, 2004. The PTO did not object to ISC's Motion to Vacate and filed Defendant's response to the Court's April 22, 2004 Order on May 5, 2004. See Motion To Vacate ¶ 10; App. p. 54. In its Order dated August 13, 2004 the district court stated that "May 5, 2004 was the deadline for filing any objection to dismissal." See App. p. 12.

ISC's request for leave to amend its complaint in accordance with Fed. R. Civ. P. 15 and 28 U.S.C. § 1653.

The issue before the Fourth Circuit Court of Appeals in this appeal was the "scope of . . . [its] mandate and a determination of whether the district court faithfully executed . . . [its mandate] in dismissing this case without permitting Invention Submission leave to file an amended complaint." *ISC v. Dudas*, at 415; App. pp. 8-9. The Fourth Circuit concluded that ISC had waived subject matter jurisdiction under *McAnnulty* by not raising it in the district court prior to the first appeal. The Court explained "that Invention Submission had not properly raised the *McAnnulty* doctrine as a jurisdictional basis before the district court and therefore had not preserved that issue for consideration on appeal." *Id.*; App. p. 9. The Fourth Circuit held that its mandate directing the district court to dismiss this case for lack of subject matter jurisdiction precluded the district court from taking any further action other than dismissing the case, and therefore there was no basis to reverse the district court's order of dismissal denying ISC leave to amend its complaint to remedy inadequate jurisdictional allegations. *Id.*

V.

REASONS FOR GRANTING THE WRIT

The Writ Should Be Granted to Resolve the Conflict Between the Fourth Circuit's Prohibition Against Pleading an Alternate Ground for Subject Matter Jurisdiction on Remand and Decisions of this Court and Other Circuits Which Permit Such Amendment

The mandate in the instant case consisted of the Fourth Circuit's instruction to dismiss under Rule 12(b)(1),

and the Court's statement of the reasons on which the decision or judgment rested, that is:

Because the conduct of the [Patent and Trade-mark Office] that is the subject of this action did not constitute "final agency action" as used under the [Administrative Procedure Act], the district court did not have subject matter jurisdiction to evaluate the complaint under Rule 12(b)(6) and should have dismissed this case under Rule 12(b)(1).

ISC v. Dudas, at 412; App. p. 2. The Fourth Circuit interpreted its mandate as foreclosing consideration of subject matter jurisdiction under the *McAnnulty* Doctrine because it had not "properly" been raised in the district court and therefore had not been "preserved" for consideration on appeal. *Id.* at 415; App. p. 9. The Fourth Circuit denied ISC the right to remedy inadequate jurisdictional allegations under 28 U.S.C. § 1653 by adopting a rigid application of *Stamper v. Baskerville*, 724 F.2d 1106 (4th Cir. 1984). *Id.* The Fourth Circuit held, in effect, that in all cases where the Court orders dismissal under Fed. R. Civ. P. 12(b)(1), the lower court is precluded from taking any further action even though an alternative basis for jurisdiction may exist on the facts plead. *Id.* (See Section 2 below for discussion of *McAnnulty* as a basis for jurisdiction). The application of *Stamper* to the instant case is not warranted and serves only to improperly foreclose ISC's rights under § 1653.

The mandate rule is a specific application of the law of the case doctrine which provides that when a court decides a rule of law, the mandate of the higher court is controlling as to matters within its compass. *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 59 S. Ct. 777, 83 L. Ed. 1184 (1939);

Gertz v. Robert Welch, Inc., 680 F.2d 527 (7th Cir. 1982); *S. Atl. Ltd. Pship of Tenn, L.P. v. Riese*, 356 F.3d 576 (4th Cir. 2004); See also *Quern v. Jordan*, 440 U.S. 332, 347 n.18, 99 S. Ct. 1139, 1148 n.18, 59 L. Ed. 2d 358 (1979). The doctrine of law of the case is implicated only with respect to issues previously determined. *Quern v. Jordan*, *supra*. (citing *In re Sanford Fork & Tool Co.*, 160 U.S. 247, 16 S. Ct. 291, 40 L. Ed. 414 (1895)). A lower court has authority to address any issue which was not expressly or impliedly disposed of on appeal. *Id.*; *Sprague v. Ticonic Nat'l Bank*, *supra*; *Wells Fargo and Company v. Taylor*, 254 U.S. 175, 41 S. Ct. 93, 65 L. Ed. 205 (1920).

In the instant case, there is no law of the case addressing subject matter jurisdiction under the *McAnnulty* Doctrine. ISC pled subject matter jurisdiction under federal question jurisdiction and the APA based on the *Industrial Safety* standard, that the malicious targeting of ISC by PTO officials constituted final agency action in the nature of a sanction. The Fourth Circuit expressly stated, both in the prior appeal and in this appeal, that the Court was not addressing the issue of subject matter jurisdiction under the *McAnnulty* Doctrine, which it characterized as "a doctrine of equity jurisdiction apart from the APA. . . ." *ISC v. Dudas*, at 415; App. p. 9; *ISC v. Rogan*, at 457; App. p. 29. The Fourth Circuit's reliance on *Stamper* to limit the court's authority to remedy inadequate jurisdictional allegations represents a direct conflict with: 1) section 1653 of the Judicial Code and the decisions of this Court and other Circuit Courts establishing the appellate court's responsibility under § 1653 to broadly consider alternative grounds for subject matter jurisdiction at any stage of the proceeding; and, 2) the decisions of this Court limiting the scope of appellate mandates to issues actually addressed on

appeal. Consistent with the mandate rule set forth in the *Quern-Sprague-Wells Fargo* line of cases (*see above*), the Fourth Circuit's statement that it was not addressing the court's equity jurisdiction under *McAnnulty* conclusively establishes that the law of the case does not discharge the district court from its duties and responsibilities under § 1653 of the Judicial Code to allow amendments to plead alternative grounds for jurisdiction.

1. The Fourth Circuit's Failure to Permit Amendment Is in Direct Conflict with Section 1653 of the Judicial Code Requiring Both Appellate Courts and the District Courts to Consider Alternative Grounds for Jurisdiction at Any Stage of the Proceeding

The Fourth Circuit concluded in the instant case that the effect of ISC's failure to raise *McAnnulty* prior to the first appeal resulted in waiver of *McAnnulty* as a grounds for the court to exercise subject matter jurisdiction. Thus, had the district court considered the *McAnnulty* Doctrine as an alternative ground for jurisdiction, which it did not do, the Fourth Circuit stated that the district court "would have had to violate what we did instruct: to dismiss the case for lack of subject matter jurisdiction." *ISC v. Dudas*, at 415; App. pp. 9-10. The Fourth Circuit's use of waiver as a vehicle to foreclose ISC's rights under 28 U.S.C. § 1653 is clearly in conflict with the decisions of this Court and other Circuit Courts and should not serve as legal basis for affirming the district court's abuse of discretion in denying ISC leave to amend.

Under Federal Rule of Civil Procedure 8(a)(1) an affirmative pleading of the precise statutory basis for federal subject matter jurisdiction is not required as long

as a complaint alleges sufficient facts to establish jurisdiction. *LeBlanc v. Salem (In re Mailman Steam Carpet Cleaning Corp.)*, 196 F.3d 1, 5 (1st Cir. 1999); *Rohler v. TRW Inc.*, 576 F.2d 1260, 1264 (7th Cir. 1978). If the stated grounds do not provide jurisdiction, the district court has the "duty" under Rule 8(a) to read a complaint liberally and to determine whether the facts set forth justify the court exercising jurisdiction on grounds other than those pleaded. *Rohler v. TRW Inc.*, *supra*. Consistent with this liberal pleading standard, § 1653 authorizes federal district and appellate courts to remedy inadequate jurisdictional allegations at any stage of the proceeding. *Newman-Green, Inc. v. Alfonzo-Larrain*, 490 U.S. 826, 109 S. Ct. 2218, 104 L. Ed. 2d 893 (1989).

Apart from the instant case, all courts which have addressed this issue have held that a plaintiff may rely on § 1653 at any stage of the proceeding, including on appeal, to assert a new theory of subject matter jurisdiction that is apparent from the face of the complaint. *Advani Enterprises, Inc. v. Underwriters at Lloyds*, 140 F.3d 157, 161 (2d Cir. 1998) (pursuant to § 1653 an appellate court can allow amendment to assert a new theory of subject-matter jurisdiction after finding that the original theory was insufficient); *Kiser v. General Electric Corp.*, 831 F.2d 423 (3rd Cir. 1987) (pursuant to § 1653 a federal court not only has the power but also the duty to consider on the merits a proposed amendment remedying defective allegation of subject matter jurisdiction); *Whitmire v. Victus Limited t/a Master Design Furniture*, *supra* (§ 1653 allows amendment to state an alternative jurisdictional basis for recovery upon the facts previously alleged either in the district court or the appellate court); *Seagraves v. Harris*, 629 F.2d 385 (5th Cir. 1980) (§ 1653 in conjunction with Fed. R. Civ.

P. 15 allow plaintiff to amend after appellate argument to plead a new theory of subject matter jurisdiction); *Miller v. Davis*, 507 F.2d 308 (6th Cir. 1974) (§ 1653 allows the appellate court to direct plaintiff to assert a new basis for subject matter jurisdiction); *See also LeBlanc v. Salem (In re Mailman Steam Carpet Cleaning Corp.)*, 196 F.3d 1, 5 (1st Cir. 1999) (plaintiff's misplaced reliance on statute as basis for subject matter jurisdiction does not foreclose the appellate court from considering any other jurisdictional source because "federal subject matter jurisdiction may be established by reading a complaint holistically, 'even though the jurisdiction expressly asserted was improper.'"). In *Vukonick v. Civil Service Comm'n*, 589 F.2d 494 (10th Cir. 1978), for example, plaintiff pled subject matter jurisdiction under the APA in an attempt to obtain judicial review of the civil service commission's refusal to proceed with an appointment due to a dispute with the EPA. While the case was pending, the United States Supreme Court held that the APA did not afford independent subject matter jurisdiction for judicial review and that subject matter jurisdiction rests solely on federal question jurisdiction, 28 U.S.C. § 1331. The Tenth Circuit concluded that the failure to allege this alternate basis for jurisdiction was not fatal because "the complaint revealed a basis for § 1331 jurisdiction." *Id.* at 496.

The Fourth Circuit's failure to consider alternative jurisdictional grounds and its use of waiver to deny ISC's rights to amend in conformity with § 1653 of the Judicial Code presents an irreconcilable conflict in the law which is likely to have significant impact beyond this case. By enacting § 1653, it was the intention of Congress to permit amendment broadly to avoid the dismissal of suits on technical grounds. *Moore v. Coats Co.*, 270 F.2d 410 (3rd

Cir. 1959); *Whitmire v. Victus Limited T/A Master Design Furniture*, 212 F.3d 885 (5th Cir. 2000); *Miller v. Davis*, 507 F.2d 308 (6th Cir. 1974); *Commercial Union Insurance Co. v. U.S.*, 999 F.2d 581 (D.C. Cir. 1993). Accordingly, federal practice dictates that "Section 1653 should be construed liberally to permit the action to be maintained if it is at all possible to determine from the record that jurisdiction does in fact exist." *Advani Enterprises, Inc.*, *supra*. The Fourth Circuit's decision in the instant case stands in stark contrast to these legal precepts. Here the Fourth Circuit adopted a pleading standard which elevates form over substance: all jurisdictional grounds not precisely pled by plaintiff are waived. Under this standard Fourth Circuit practice permits the court to arbitrarily deny plaintiff rights protected in the Judicial Code and by the decisions of this Court and all other Circuit Courts.

2. The Fourth Circuit's Reliance on the Mandate Rule to Deny ISC Leave to Amend under Section 1653 Is in Direct Conflict with this Court's Decisions Limiting the Scope of an Appellate Mandate to Issues Actually Addressed on Appeal

Nothing contained in the Fourth Circuit's mandate should have precluded the district court from discharging its responsibilities under § 1653 to broadly consider alternative grounds for subject matter jurisdiction which were apparent on the face of the complaint. The district court in the instant case had authority under the mandate rule to address any issue which was not expressly or impliedly disposed of on appeal. The Fourth Circuit expressly stated that it did not address the issue of subject matter jurisdiction under the *McAnnulty* Doctrine, nor did

it address the merits of jurisdiction under *McAnnulty* by implication.

The jurisdictional issue decided by the Fourth Circuit was whether the PTO's advertising campaign, directed at ISC for the purpose of causing ISC irreparable harm, constituted final agency action under the APA so as to be reviewable in court. *ISC v. Rogan*, 357 F.3d at 458; App. p. 31. The Fourth Circuit stated that in order to constitute final agency action the agency's conduct must have regulatory impact, that is, it must be both the "consummation of the agency's decision making process . . . [and] must be [an action] by which rights or obligations have been determined, or from which legal consequences will flow." *Id.* at 559; App. p. 32. The Fourth Circuit concluded that this inquiry into regulatory impact is limited to the "text" of the publication and whether the text constitutes the "consummation" of a decision making process which results in a formal determination of rights or obligations or legal consequences. The Fourth Circuit explained that the PTO advertisements did not have the requisite regulatory impact to be reviewable as "final agency action" under the APA because the PTO advertisements did not expressly name ISC. The court further stated that unless the "intent to penalize" is "referenced" in the text, any scheme to penalize ISC, including the PTO's attempts to link ISC to the advertisements, was incapable of "taint[ing]" the text. In other words, jurisdiction under the APA is to be determined from the text of the agency publication without consideration of the intent to penalize, the libel actually committed, or the federal rights violated.

This is quite different from the court's jurisdiction under the *McAnnulty* Doctrine, which broadly protects against arbitrary and unlawful action by agency officials.

Nothing addressed by the court in the context of final agency action forecloses jurisdiction under the *McAnnulty* Doctrine. Under the *McAnnulty* Doctrine, judicial review is afforded whenever an agency official's conduct is unauthorized by law or violates the rights of the aggrieved plaintiff. See *Chamber of Commerce of the U.S. v. Reich*, 74 F.2d 1322 (D.C. Cir. 1996); See also *R.I. Dep't of Envtl. Mgmt. v. U.S.*, 304 F.3d 31 (1st Cir. 2002); *Aid Ass'n for Lutherans v. U.S. Postal Serv.*, 321 F.3d 1166 (D.C. Cir. 2003).

Under the *McAnnulty* Doctrine, regulatory impact is not a pre-condition for the district court's subject matter jurisdiction. See *Joint Anti-Fascist Refugee Comm. v. McGrath*, 341 U.S. 123, 71 S. Ct. 624, 95 L. Ed. 817 (1951) (plurality opinion); *B.C. Morton Int'l Corp. v. FDIC*, 305 F.2d 692 (1st Cir. 1962). Therefore, the Fourth Circuit's statement that the non-regulatory harm to ISC's reputation "cannot be imputed to the PTO for purposes of determining whether its conduct was a final agency action" does not preclude review jurisdiction under the *McAnnulty* Doctrine. See *ISC v. Rogan*, 357 F.3d at 460; App. pp. 34-35. In fact, there are many circumstance, such as the instant case, where the risk of harm to reputation caused by the conduct of agency officials does not have direct regulatory effect yet nonetheless constitutes a sufficiently "cognizable injury" to support equity jurisdiction in federal court. *Meese v. Keene*, 481 U.S. 465, 107 S. Ct. 1862, 95 L. Ed. 2d 415 (1987); *Joint Anti-Fascist*, *supra*; *B.C. Morton*, *supra*. See also *Foretich v. U.S.*, 351 F.3d 1198 (D.C. Cir. 2003); *S. Mut. Help Ass'n, Inc. v. Califano*, 574 F.2d 518 (D.C. Cir. 1977).

Furthermore, while the fact that the text of the media campaign did not name ISC may defeat jurisdiction based

on final agency action under the APA, this does not foreclose judicial review under the *McAnnulty* Doctrine when the underlying intent of the PTO officials was to target ISC through the improper use of agency resources and agency influence. In the context of the court's equity jurisdiction, allegations of the underlying intent of agency officials to specially target an individual or company are not limited to the four corners of the text of the agency publication as they are under the regulatory effects standard applied by the Fourth Circuit. See *B.C. Morton*, *supra*.² Similarly, the Fourth Circuit's statement that the text of the advertisements was not a regulatory effect but a "warning [to] the public about invention promotion scams [that is] consistent with the PTO's commission granted by the Inventors' Rights Act of 1999" does not foreclose judicial review under *McAnnulty*. See *ISC v. Rogan*, 357 F.3d at 460; App. p. 35.³

² In *B.C. Morton*, the First Circuit was presented with virtually the same type of agency abuse, resulting harm to reputation and lawful business activities as presented in the instant case. Plaintiff alleged that the FDIC has issued a lawful press release that contained deliberate misrepresentations regarding the sale of certain types of certificates. Plaintiff alleged that, although not specifically identified in the press release, its business was the target of agency officials who intended to use the press release to destroy lawful business activities. The First Circuit found that it had *McAnnulty*-type subject matter jurisdiction where agency officials target a specific company with the intent to interfere with lawful business activities. The Court held that the district court may grant relief based on the threatened injury to reputation resulting from arbitrary action of agency officials regardless of whether the use of adverse publicity has regulatory impact.

³ In *B.C. Morton*, as in the instant case, it was the improper use of agency resources and agency influence to interfere with lawful business activities that supported the district court exercising equity jurisdiction under *McAnnulty*. Subject matter jurisdiction is not defeated, as it is under the regulatory impact standard, where the agency uses "artful

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In summary, the Fourth Circuit's prohibition of amendment under § 1653 is in direct conflict with long standing law. The *Quern-Sprague-Wells Fargo* line of cases (discussed above) limit the doctrine of law of the case to issues actually decided by the appellate court. The district court on remand has the authority to address any issue which was not expressly or impliedly decided. As discussed in Section 1 above, where the issue left open concerns an alternative ground for the court to exercise jurisdiction, § 1653 permits amendment in conformity with the liberal policy of amendment contained in the Federal Rules. In the instant case, the Fourth Circuit did not decide, directly or indirectly on the merits, whether equity jurisdiction exists in the district court under the *McAnnulty* Doctrine. Thus, *Stamper*, on which the Fourth Circuit relies, does not apply because the district court has jurisdiction on grounds other than those addressed by the appellate court.

generality" in its written communication, whether in a press release, as was used in *B.C. Morton*, or in advertisements, as were used in this case. In this regard the First Circuit stated as follows:

The *Joint Anti-Fascist Committee* case shows that in determining the right of a plaintiff to relief against arbitrary governmental action, "the true test is the substantiality of the present or imminent harm which the administrative action inflicts on the plaintiff." . . . There is no merit in the contention that a private business has no protection against attack by a government agency as long as the agency uses artful generality . . . we are unable to see any sound reason why, upon the facts alleged in the amended complaint, a federal court should refuse to exercise jurisdiction.

B.C. Morton, 305 F.2d at 698-99 (citations omitted).

3. The Fourth Circuit's Affirmance of the District Court's Order Denying ISC Leave to Amend Is in Conflict with this Court's Decisions and the Decisions of the Other Circuit Courts Addressing the Right to Amend

Federal Rules of Civil Procedure 15(a) provides that "[a] party may amend the party's pleading . . . by leave of court . . . and leave shall be freely given when justice so requires." Fed. R. Civ. P. 15(a). The liberal approach to amendment embodied in Rule 15 allows a district court, in conjunction with §1653, to grant leave to amend after dismissal in order to assert a new basis for subject matter jurisdiction, provided that the amendment is not unduly delayed, advanced in bad faith, or prejudicial to the opposing party. *Berkshire Fashions, Inc. v. The M.V. Hakusan II*, *supra*; *United Steelworkers of America, AFL-CIO v. Mesker Bros. Industries, Inc.*, 457 F.2d 91 (8th Cir. 1972); *Whitmire v. Victus Limited t/a Master Design Furniture*, *supra*; *Miller v. Davis*, *supra*.

Inherent in the authority to address issues not disposed of on appeal is the district court's authority, on remand, to allow amendments of the pleadings. *In re Sanford Fork & Tool Co.*, *supra*; *Wells Fargo and Company v. Taylor*, *supra*. It is well settled that unless an appellate mandate constitutes a final decision on the merits, a district court is to exercise its sound discretion on remand to allow the plaintiff to amend pleadings in order to cure defects in the sufficiency of a complaint. *Rogers v. Hill*, 289 U.S. 582, 53 S. Ct. 731, 77 L. Ed. 1385 (1933). This authority includes jurisdictional amendments as there is no general prohibition against asserting another basis for jurisdiction in an amendment to a pleading, provided that such jurisdiction would have existed at the time the

complaint was originally filed (*Berkshire Fashions, Inc. v. The M.V. Hakusan II*, 954 F.2d 874 (3rd Cir. 1992)) and dismissal for lack of subject matter jurisdiction does not constitute a final decision on the merits (Fed. R. Civ. P. 41(b); See also *Costello v. U.S.*, 365 U.S. 265, 81 S.Ct. 534, 5 L. Ed. 2d 551 (1961)).

ISC's original complaint set forth all of the requisite facts for the court to exercise subject matter jurisdiction under the *McAnnulty* Doctrine even though this theory was not specifically pled, including:

- The overarching goal of the PTO officials was to use false and unauthorized adverse publicity to put ISC out of business and otherwise prevent ISC from engaging in its lawful business activities although Congress placed specific restrictions on the PTO by denying it authority, directly or indirectly, to interfere with the lawful business activities of invention promoters and by placing specific restrictions on the PTO with respect to the manner and context in which the PTO was authorized to make customer complaints publicly available in a neutral public forum. Amended Complaint ¶¶ 4-7, 11-14, 16, 28-39; App. pp. 60-62, 64-65, 69-75.⁴

⁴ Petitioner refers to Paragraphs 4 through 45 of the Amended Complaint reprinted in the Appendix hereto at pp. 59 through 84. These paragraphs are identical to Paragraphs 4 through 45 of the original Complaint. The facts supporting the court's general equity jurisdiction under the *McAnnulty* Doctrine are set forth in Paragraphs 46 through 54, which incorporate and summarize the facts pled in Paragraphs 4 through 45. In its Amended Complaint ISC pled the same facts in support of both general equity jurisdiction under the *McAnnulty* Doctrine and federal question jurisdiction under the APA to preserve

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- The PTO officials implemented their scheme to target ISC through the improper use of agency resources and agency influence, including featuring an ISC customer in its media campaign because PTO officials harbor a specific animus toward ISC. Amended Complaint ¶¶ 15-16, 18-19, 22, 32-38; App. pp. 65-67, 71-74.
- As part of its improper efforts to publicly identify ISC as running a scam and to cause harm to ISC: i) the PTO publicized the allegation contained in the Lewis complaint outside the neutral public forum provided for in the IRA and linked ISC through the PTO's contacts with the media; ii) the PTO officially embraced the false allegations made by Lewis and falsely represented to the public that Lewis was the victim of a patent scam; and, iii) the PTO disparaged ISC's services to various individuals and groups, expressly or impliedly, including that it was featuring an ISC customer in its media campaign to counter patent scams like ISC. Amended Complaint ¶¶ 20-21, 23-27; App. pp. 66-69.
- The PTO officials' conduct is *ultra vires* because it is arbitrary and capricious, is in excess of the PTO jurisdiction, is contrary to ISC's federal and constitutional rights and has proximately caused and continues to cause harm to ISC. Amended Complaint ¶¶ 40-45; App. pp. 75-79.

both jurisdictional bases while ISC petitioned this Court for a writ of certiorari to the Fourth Circuit in connection with its decision in *ISC v. Rogan*, *supra*.

The Fourth Circuit's affirmance of the district court's order denying ISC leave to amend to plead an alternative basis for jurisdiction disregards completely § 1653 of the Federal Judicial Code and Rule 15(a) of the Federal Rules of Civil Procedure.

The exercise of the lower court's discretion in granting leave to amend after remand must be in accordance with the liberal policy of amendment as set forth in Fed. R. Civ. P. 15(a). *Nguyen v. U.S.*, 792 F.2d 1500 (9th Cir. 1986); See also *Harkless v. Sweeny Indep. Sch. Dist.*, 554 F.2d 1353 (5th Cir. 1977). The seminal case addressing the liberal amendment standard is *Foman v. Davis*, 371 U.S. 178, 83 S. Ct. 227, 9 L. Ed. 2d 222 (1962). In *Foman*, this Court described the liberal amendment standard under Rule 15 as follows:

Rule 15(a) declares that leave to amend "shall be freely given when justice so requires"; this mandate is to be heeded. . . . If the underlying facts or circumstances relied upon by a plaintiff may be a proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits. In the absence of any apparent or declared reason – such as undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, futility of amendment, etc. – the leave sought should, as the rules require, be "freely given." Of course, the grant or denial of an opportunity to amend is within the discretion of the District Court, but outright refusal to grant the leave without any justifying reason appearing for the denial is not an exercise of discretion; it is merely abuse of

that discretion and inconsistent with the spirit of the Federal Rules.

371 U.S. at 182 (citations omitted).

As discussed in Section 1 above, the district court is duty bound to broadly consider alternative grounds for subject matter jurisdiction supported by the factual allegations of the complaint at any stage of the proceeding. Accordingly, in considering ISC's request for leave to amend its complaint to plead equity jurisdiction under *McAnnulty*, the Fourth Circuit should have focused solely on whether the district court had abused its discretion in concluding that dismissal under 12(b)(1) constitutes a final decision on the merits and in failing to apply the *Foman* standard.⁶ The record in the instant case establishes that ISC's right to amend under *Foman* is clear.

⁶ The district court abused its discretion by disregarding the liberal amendment policies embodied in Rule 15 and § 1653 and, contrary to established law, concluding that the Fourth Circuit's dismissal under 12(b)(1) constituted a decision on the merits. In this regard, the district court stated as follows:

[T]o allow the plaintiff to amend its Complaint by adding a completely new legal theory at this stage would defeat notions of judicial economy and finality. "Although amendment of pleadings following remand may be permitted. . . . The general rule that leave to amend under rule 15 should be freely granted will not be extended without limit when a rule 15 motion is brought after a claim has been fully litigated on the merits through appeal. At some point, there must be finality. Permitting amendment in this case would not enhance finality, but instead would encourage seriatim judgments in the same basic dispute, as a plaintiff continues to put forth new theories of recovery." . . . For these reasons, plaintiff's Motion to Vacate Order of May 5, 2004 and Motion for Leave to File an Amended Complaint are DENIED.

Order dated August 13, 2004; App. pp. 11-15. Of course, the instant case was never "fully litigated on the merits through appeal."

ISC did not act in bad faith in moving for leave to amend to assert subject matter jurisdiction under the *McAnnulty* Doctrine. The forty day period between the filing of the PTO's 12(b)(1) motion and the time the district court entered its dismissal order under 12(b)(6) does not provide a basis under *Foman* to deny leave to amend.

This is not a case where plaintiff has attempted piecemeal litigation, one theory at a time, and any implication to the contrary is incorrect and not based on the record. At the time ISC filed its complaint there was a *bona fide* conflict in the law regarding the source of the Court's authority to review *ultra vires* agency conduct. This Court has repeatedly instructed courts, both prior to and after the enactment of the APA, to apply a presumption in favor of judicial review where plaintiff seeks injunctive or declaratory relief from *ultra vires* administrative agency action. *Bowen v. Mich. Academy of Family Physicians*, 476 U.S. 667, 106 S. Ct. 2133, 90 L. Ed. 2d 623 (1986); *Barlow v. Collins*, 397 U.S. 159, 90 S. Ct. 832, 25 L. Ed. 2d 192 (1970); *Abbott Labs v. Gardner*, 387 U.S. 136, 87 S. Ct. 1507, 18 L. Ed. 2d 681 (1967); *Joint Anti-Fascist*, *supra*; *Leedom v. Kyne*, 358 U.S. 184, 79 S. Ct. 180, 3 L. Ed. 2d 210 (1958); *Stark v. Wickard*, 321 U.S. 288, 64 S. Ct. 559, 88 L. Ed. 773 (1944). These decisions, however, leave unclear the specific basis for the Court's subject matter jurisdiction as certain cases arise under the APA and others do not specify whether or not relief is sought under the APA.⁶ At the time ISC filed its complaint

⁶ The law in this area showed that in 1976, in order to provide "a safety-valve to ensure greater fairness and accountability in the administrative machinery of the Government" (H. Rep. No. 1656, 94th Cong., 2d Sess. 9 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 6129-30), Congress decided to combine equity with federal question jurisdiction,

(Continued on following page)

there were no Fourth Circuit opinions reconciling the relationship between the court's equity jurisdiction under *McAnnulty* and the APA. In fact, it was not until the Fourth Circuit's decision in this case that any Circuit Court had held that equity jurisdiction to review agency action remains separate from federal question jurisdiction and the APA, a decision that necessitated the need for ISC to seek leave to amend to plead subject matter jurisdiction under the *McAnnulty* Doctrine. As discussed above, the limitations which the Fourth Circuit placed on final agency action do not defeat jurisdiction under the *McAnnulty* Doctrine and therefore amendment of the complaint would not be futile.

The PTO is not prejudiced by the Court allowing ISC leave to amend the allegations of subject matter jurisdiction contained in its Complaint. This case is in the initial pleading stage and no discovery has been taken. The

stating: 'the time [has] now come to eliminate the sovereign immunity defense in *all* equitable actions for specific relief against a Federal agency or officer acting in an official capacity.' *Presbyterian Church (U.S.A.) v. U.S.*, 870 F.2d 518, 525 (9th Cir. 1989) (emphasis in opinion) (citing H. Rep. No. 1656, 94th Cong., 2d Sess. 9 (1976), reprinted in 1976 U.S.C.C.A.N. at 6129). Specifically, Congress amended 28 U.S.C. § 1331 to eliminate the monetary requirement in order to provide federal question jurisdiction in all cases challenging an agency action, including equity cases. See *Califano v. Sanders*, 430 U.S. 99, 106, 97 S. Ct. 980, 51 L. Ed. 2d 192 (1977) (in "restructur[ing] afresh the scope of federal-question jurisdiction," the "obvious effect" was to confer broad jurisdiction on federal courts to review agency action). At the same time, additional language was added to § 702 of the APA in order to provide broad waiver of sovereign immunity. It was entirely consistent with the case law to argue that the combination of the amendment to § 1331, which removed the monetary requirement, together with the addition to § 702 of the APA, in effect codified the right to judicial review existing in equity as the *McAnnulty* Doctrine. See *Chamber of Commerce*, *supra*; *R.I. Dep't*, *supra*; *Presbyterian Church*, *supra*.

requested amendment does not cause any unfair surprise to the PTO as the underlying facts and circumstances have been known to the PTO since ISC filed its complaint.

In contrast, ISC is greatly prejudiced by the failure of the Fourth Circuit to allow ISC to amend its complaint. The prohibition against amendment adopted by the Fourth Circuit has unfairly left ISC without a judicial remedy against conduct that offends every notion and sense of fairness and justice. Here PTO officials have publicly stated their intention to wield agency resources and influence to stigmatize ISC and prevent ISC from engaging in lawful business activities because of the animus PTO officials personally harbor against ISC. In response to the PTO's attempt to shield its agency abuse from judicial review, the Fourth Circuit was called upon, as a case of first impression in the Fourth Circuit, to resolve the relationship between federal question jurisdiction under the APA and equity jurisdiction under the *McAnnulty* Doctrine. Contrary to the decisions in other Circuits, the Fourth Circuit concluded that equity jurisdiction under the *McAnnulty* Doctrine is separate and apart from federal question jurisdiction. The Fourth Circuit then further shielded the PTO's agency abuses from judicial review by adopting a prohibition against amendment in direct conflict with § 1653 of the Judicial Code which is the subject of this petition for writ of certiorari.

CONCLUSION

For the foregoing reasons Petitioner respectfully requests that this Court grant its petition for writ of certiorari to review the decision of the United States Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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PUBLISHED

**UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT**

INVENTION SUBMISSION CORPORATION,
a Pennsylvania corporation,

Plaintiff-Appellant,

v.

JONATHAN W. DUDAS, Under
Secretary of Commerce for
Intellectual Property and
Director, United States Patent
and Trademark Office,
U.S. Department of Commerce,
in his official capacity,

Defendant-Appellee.

No. 04-2295

Appeal from the United States District Court
for the Eastern District of Virginia, at Alexandria.
Leonie M. Brinkema, District Judge.

(CA-02-1038-1)

Argued: May 24, 2005

Decided: June 24, 2005

Before WILKINS, Chief Judge, and NIEMEYER
and SHEDD, Circuit Judges.

Affirmed by published opinion. Judge Niemeyer wrote the
opinion, in which Chief Judge Wilkins and Judge Shedd
joined.

COUNSEL

ARGUED: Edward B. Friedman, Pittsburgh, Pennsylvania, for Appellant. Rachel Celia Ballow, Assistant United States Attorney, Office of the United States Attorney, Alexandria, Virginia, for Appellee. **ON BRIEF:** J. Stephen Purcupile, Friedman & Friedman, Pittsburgh, Pennsylvania; Richard C. Sullivan, Reed Smith, L.L.P., Falls Church, Virginia, for Appellant. Paul J. McNulty, United States Attorney, Alexandria, Virginia, for Appellee.

OPINION

NIEMEYER, Circuit Judge:

In our earlier review of the district court's final order dismissing this case under Federal Rule of Civil Procedure 12(b)(6), we held:

Because the conduct of the [Patent and Trademark Office] that is the subject of this action did not constitute "final agency action" as used under the [Administrative Procedure Act], the district court did not have subject matter jurisdiction to evaluate the complaint under Rule 12(b)(6) and should have dismissed this case under Rule 12(b)(1). We therefore vacate its order of October 30, 2002, as well as the supporting opinion, and remand with instructions to dismiss this case under Federal Rule of Civil Procedure 12(b)(1).

Invention Submission Corp. v. Rogan, 357 F.3d 452, 460 (4th Cir. 2004). By order dated May 5, 2004, the district court did vacate its earlier dismissal order and dismissed this case under Federal Rule of Civil Procedure 12(b)(1).

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Invention Submission Corporation filed a motion to vacate the district court's May 5, 2004 order and to grant Invention Submission leave to file an amended complaint for the purpose of avoiding the jurisdictional issue. The district court denied this motion and reaffirmed its earlier dismissal order. Invention Submission now challenges the district court's order denying its motion to vacate and for leave to amend.

Because the district court was bound by the mandate of this court to dismiss this case for lack of subject matter jurisdiction, we affirm.

I

In January 2002, the Patent and Trademark Office ("PTO") launched a media campaign to counter invention promotion scams. The print advertisements featured an inventor named Edward Lewis, along with text that identified him by name and read, "I spent \$13,000 and three years 'spinning my wheels' with a company that promised my idea would make lots of money. They were right. It made lots of money . . . *for them*. I haven't seen a penny." The advertisement ended with a general statement about avoiding "invention promotion scams" and contact information for the PTO.

A journalist for a cable television network, who saw the PTO's advertisements, interviewed Lewis and published a story revealing that Lewis was referring in the advertisements to his relationship with Invention Submission, a business engaged in assisting inventors with obtaining patents. The article revealed that Lewis had filed a complaint with the PTO in August 2001 that was "being processed." The article also revealed that Invention

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Submission was one of several companies investigated by the FTC in the 1990s "for misrepresentation in patent marketing schemes." The article concluded with Invention Submission's response that it did nothing wrong and that its representations and commercials misled neither Lewis nor anyone else.

After the article appeared, Invention Submission commenced this action under the Administrative Procedure Act ("APA"), 5 U.S.C. § 704, against the PTO, alleging that the PTO's advertising campaign was aimed at Invention Submission to penalize it and ultimately to put it out of business. Invention Submission claimed that the campaign was an illegal final agency action that was arbitrary and capricious and exceeded any statutory authority conferred on the PTO.

The PTO filed a motion to dismiss Invention Submission's complaint under Federal Rule of Civil Procedure 12(b)(1), contending that the PTO advertising campaign was not a "final agency action" and therefore that the district court lacked subject matter jurisdiction to review its actions. The district court granted the motion to dismiss but based its decision on Rule 12(b)(6), finding that "it is clear as a matter of law that no relief could be granted under any set of facts that could be proved consistent with the allegations." The court observed that "[t]he PTO's publications in this case were merely generic advertisements of agency programs not specifically naming the plaintiff. Any harm to the plaintiff was, at most, indirect." Finally, the court found that the agency's conduct was not a "final agency action" and that Invention Submission had not alleged any specific harm caused by the PTO's actions.

On Invention Submission's first appeal, we agreed with the district court that the PTO's alleged conduct did not constitute final agency action and therefore was not reviewable under the APA. We observed:

The text of the advertising material can only be construed to be an effort by the PTO to inform inventors of the perils and potential scams that they might encounter during the patent process. Such advertising did not create "legal consequences" for Invention Submission or any other member of the public cognizable as *final agency action*, and the campaign itself did not determine any right or obligation of any party.

Invention Submission, 357 F.3d at 460 (emphasis added). In response to Invention Submission's contention that in conducting the advertising campaign, the PTO harbored an intent to put Invention Submission out of business and that therefore the advertising campaign was agency action adversely affecting Invention Submission, we stated:

Such underlying intent of agency officials, however, does not convert the PTO's legal advertising material warning generally of invention promotion scams – the purpose for which Congress enacted the Inventors' Rights Act – into a PTO sanction imposed on Invention Submission that would be reviewable in court, especially when the material itself does not reference an intent to penalize any particular company.

Id. Focusing particularly on the effect of the advertising campaign on Invention Submission, we observed:

If the PTO's advertising made business more difficult for Invention Submission by raising the public's awareness, the decisions of members of

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the public are attributable to independent responses and choices of third parties and cannot be imputed to the PTO for purposes of determining whether its conduct was a final agency action.

Id. (internal quotation marks and citation omitted). We summarized our holding as follows:

In short, the PTO's advertising campaign warning the public about invention promotion scams was consistent with the PTO's commission granted by the Inventors' Rights Act of 1999, and in the circumstances of this case, the decision to pursue such a campaign, as well as its content, *did not create a final agency action that is reviewable in court.*

Id. (emphasis added). Accordingly, we concluded that the district court did not have subject matter jurisdiction over the case and remanded it "with instructions to dismiss this case under Federal Rule of Civil Procedure 12(b)(1)." *Id.*

During the course of its prior appellate briefing, Invention Submission argued that the district court's jurisdiction over its complaint could have rested on general equity jurisdiction under the holding of *American School of Magnetic Healing v. McAnnulty*, 187 U.S. 94 (1902), an argument that it raised for the first time on appeal. In response, we stated, "we do not address whether the 'McAnnulty Doctrine,' which Invention Submission raises for the first time on appeal, provides a basis for judicial review of unlawful agency action." *Invention Submission*, 357 F.3d at 457 n.*.

After the case was remanded to the district court and the district court had dismissed the case under Rule

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12(b)(1), Invention Submission filed a motion to vacate the dismissal order and for leave to amend its complaint to allege jurisdiction under the *McAnnulty* doctrine. The district court, relying on the scope of our mandate on remand, denied Invention Submission's motion and reaffirmed its dismissal under Rule 12(b)(1). In addition, the court observed that to reopen the case at that point in time "would defeat notions of judicial economy and finality."

Invention Submission now appeals the district court's order denying its motion to vacate and for leave to amend its complaint.

II

In challenging the district court's reliance on the plain language of our mandate on remand, Invention Submission contends that on remand, the district court was "free to pass upon any issue which was not expressly or impliedly disposed of on appeal so long as consideration of the issue raised on remand is not inconsistent with the appellate mandate." Invention Submission argues that it would not have been inconsistent with our mandate to permit it to amend its complaint to rest jurisdiction on the *McAnnulty* doctrine. It relies heavily on our statement made in the opinion on the first appeal that Invention Submission "relied exclusively on the APA" to establish subject matter jurisdiction, an issue that we disposed of on that appeal, and our observation that "we do not address whether the '*McAnnulty* Doctrine' . . . provides a basis for judicial review of unlawful agency action." *Invention Submission*, 357 F.3d at 457 n.*.

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The force of our prior mandate is governed by well-established principles. In general, once a case has been decided on appeal and a mandate issued, the lower court may not deviate from that mandate but is required to give full effect to its execution. See *Stamper v. Baskerville*, 724 F.2d 1106, 1107 (4th Cir. 1984). This "mandate rule" is a more powerful version of the law of the case doctrine and is based on "the principle that an inferior tribunal is bound to honor the mandate of a superior court within a single judicial system." 18B Charles Alan Wright, Arthur B. Miller, & Edward H. Cooper, *Federal Practice and Procedure* § 4478.3 (2d. ed. 2002). As we observed in *United States v. Bell*, 5 F.3d 64, 66 (4th Cir. 1993) (quoting *Sprague v. Ticonic National Bank*, 307 U.S. 161, 168 (1939)), "[f]ew legal precepts are as firmly established as the doctrine that the mandate of a higher court is 'controlling as to matters within its compass.'" Under the mandate rule, therefore, a lower court generally may not consider questions that the mandate has laid to rest. *Sprague*, 307 U.S. at 168.

Deviation from the mandate rule is permitted only in a few exceptional circumstances, which include (1) when "controlling legal authority has changed dramatically"; (2) when "significant new evidence, not earlier obtainable in the exercise of due diligence, has come to light"; and (3) when "a blatant error in the prior decision will, if uncorrected, result in a serious injustice." *United States v. Aramony*, 166 F.3d 655, 662 (4th Cir. 1999) (quoting *Bell*, 5 F.3d at 67) (internal quotation marks omitted). But it is clear that none of these exceptions applies here. Our review, therefore, is limited to consideration of the scope of our mandate and a determination of whether the district court faithfully executed it in dismissing this case without

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permitting Invention Submission leave to file an amended complaint.

The language of our mandate directed the district court to dismiss this case for lack of subject matter jurisdiction and, on its face, does not authorize the district court to open the case for further adjudication. Because our order stated that the district court lacked jurisdiction, the court was not free to do anything else but to dismiss the case. As we have explained previously, "[c]ompliance with an order to relinquish jurisdiction necessarily precludes the lower court from taking any further action other than dismissal, for to do so would involve retaining jurisdiction." *Baskerville*, 724 F.2d at 1108. Thus, to comply with our mandate, the district court could only dismiss the case. "[A]ny action by the lower court other than immediate and complete dismissal [would have been] by definition inconsistent with – and therefore a violation of – the order [to dismiss]." *Id.* In short, our instruction to the district court was clear, direct, and limiting, and we conclude that the district court followed the mandate as directed. Thus, in restricting its action to that directed by the mandate, the district court did not err.

Invention Submission's reliance on our previous opinion's footnote, 357 F.3d at 457 n.*, is misplaced. In limiting our discussion to whether the district court had jurisdiction under the APA, as invoked by Invention Submission, we simply took note that Invention Submission had not properly raised the *McAnnulty* doctrine as a jurisdictional basis before the district court and therefore had not preserved that issue for consideration on appeal. While we noted this fact in the footnote, we did not instruct the district court to consider that doctrine on remand. Had the district court done so anyway, it would

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have had to violate what we did instruct: to dismiss the case for lack of subject matter jurisdiction.

Because the district court was bound by the mandate of this court to dismiss this case for lack of subject matter jurisdiction, and the district court did dismiss this case, we conclude that there is no basis to reverse its order.

AFFIRMED.

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

INVENTION SUBMISSION)	
CORPORATION,)	
Plaintiff)	
v.)	1:02cv1038 (LMB)
JAMES E. ROGAN, Undersecretary)	
of Commerce for Intellectual)	
Property and Director,)	
United States Patent)	
and Trademark Office,)	
U.S. Department of Commerce,)	
in his official capacity,)	
Defendant.)	

ORDER

(Filed Aug. 13, 2004)

Before the Court are plaintiff's Response to the Court's Order Dated April 22, 2004, Motion to Vacate Order of May 5, 2004, and Motion for Leave to File an Amended Complaint. The government has filed its Opposition, and the plaintiff has filed a reply. For the reasons that follow, plaintiff's motions will be DENIED.

On July 17, 2002, plaintiff filed its Complaint under the Administrative Procedures Act (APA), alleging that the U.S. Patent and Trademark Office (PTO) had violated the Inventors' Rights Act, 35 U.S.C. § 297. Plaintiff seeks both declaratory and injunctive relief. Defendant moved to dismiss the Complaint under Fed. R. Civ. P. 12(b)(1) for lack of subject matter jurisdiction on the ground that the PTO action at issue did not constitute final agency action.

Plaintiff did not seek to amend its complaint in response to the Motion to Dismiss, but opposed the motion on its merits. On October 30, 2002, this Court dismissed the Complaint under Fed. R. Civ. P. 12(b)(6) for failure to state a claim upon which relief could be granted. That decision was appealed to the United States Court of Appeals for the Fourth Circuit, which on February 11, 2004, affirmed the dismissal but remanded with instructions to dismiss the Complaint under Rule 12(b)(1) because the court lacked subject matter jurisdiction. After the mandate was returned, the Court, on April 22, 2004, advised the parties that it intended to dismiss the Complaint under Rule 12(b)(1) unless they filed an objection within ten days. May 5, 2004 was the deadline for filing any objection to dismissal. On May 5, 2004, the Court, not having heard from the parties, entered an Order dismissing the Complaint. Apparently, plaintiff filed its opposition on the same day. Although the Complaint has been dismissed, the Court has considered plaintiff's motion.

The original Complaint was brought under only one legal theory, that the APA had been violated. In affirming the dismissal of plaintiff's Complaint, the Fourth Circuit held that the conduct of the PTO that is the subject of the Complaint did not constitute final agency action under the APA, and therefore this Court did not have subject matter jurisdiction over the Complaint. *Invention Submission Corporation v. Rogan*, 357 F.2d 452, 460 (4th Cir. 2004). In its Opinion, the Fourth Circuit noted plaintiff's argument that subject matter jurisdiction may rest outside the APA under the *McAnnulty* Doctrine, but declined to address that argument because plaintiff had pled its claims only under the APA, not the *McAnnulty* Doctrine. *Id.* at 457, n*.

Plaintiff has filed a petition for *certiorari* with the Supreme Court, but has not asked for a stay.

In its Motion for Leave to File Amended Complaint, plaintiff essentially seeks to re-plead its allegations under an entirely new legal theory, the *McAnnulty* Doctrine, which provides that the lack of final agency action may not necessarily deprive this Court of subject matter jurisdiction to hear the Complaint. Defendant opposes any effort by plaintiff to amend its Complaint at this stage in the proceedings, arguing that under the mandate rule, this court should not allow the Complaint to be amended to include entirely new claims.

The government's argument has merit. The mandate rule "compels compliance on remand with the dictates of a superior court and forecloses relitigation of issues expressly or impliedly decided by the appellate court. In addition, the rule forecloses litigation of issues decided by the district court but foregone on appeal or otherwise waived, for example because they were not raised in the district court." *United States v. Bell*, 5 F.3d 64, 66 (4th Cir. 1993).

In discussing plaintiff's argument that jurisdiction would lie under the *McAnnulty* Doctrine, the Fourth Circuit held that the issue had not been properly raised in the district court for consideration on appeal. It then remanded the case to this Court only with instructions to dismiss the Complaint for lack of subject matter jurisdiction. The Fourth Circuit did not direct the Court to reopen the case or consider the applicability of the *McAnnulty* Doctrine. Under the mandate rule, all this Court is authorized to do is dismiss this civil Complaint. To allow plaintiff to raise the *McAnnulty* Doctrine issue in an

amended complaint would be inconsistent with the Fourth Circuit's opinion, because the Fourth Circuit found that plaintiff had waived that issue.

In addition to violating the mandate rule, to allow the Plaintiff to amend its Complaint by adding a completely new legal theory at this stage would defeat notions of judicial economy and finality. "Although amendment of pleadings following remand may be permitted, such amendment cannot be inconsistent with the appellate court's mandate. . . . The general rule that leave to amend under rule 15 should be freely granted will not be extended without limit when a rule 15 motion is brought after a claim has been fully litigated on the merits through appeal. At some point, there must be finality. Permitting amendment in this case would not enhance finality, but instead would encourage seriatim judgments in the same basic dispute, as a plaintiff continues to put forth new theories of recovery." *In re Beverly Hills Bancorp*, 752 F.2d 1334, 1337-38 (9th Cir. 1984) (internal citations omitted). *See also Rolo v. City Investing Co. Liquidating Trust*, 155 F.3d 644, 654 (3d Cir. 1998) (leave to amend after remand properly denied when plaintiff sought to add claims that "could have been pled much earlier in the proceedings").

For these reasons, plaintiff's Motion to Vacate Order of May 5, 2004, and motion for Leave to File an Amended Complaint are DENIED, and it is hereby

ORDERED that the Court's Order of May 5, 2004, dismissing this action under Rule 12(b)(1) be and is reaffirmed and this civil action is dismissed.¹

The Clerk is directed to forward copies of this Order to counsel of record.

Entered this 13th day of August, 2004.

/s/ Leonie M. Brinkema
Leonie M. Brinkema
United States District Judge

Alexandria, Virginia

¹ No Stay has been filed pending Supreme Court action on the petition. Because the mandate has been returned to the Court, the Court has the authority to dismiss this Complaint.

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

INVENTION SUBMISSION)	
CORPORATION,)	
Plaintiff)	
v.)	1:02cv1038 (LMB)
JAMES E. ROGAN, Under)	
Secretary of Commerce for)	
Intellectual Property and)	
Director, United States)	
Patent and Trademark Office,)	
U.S. Department of Commerce,)	
in his official capacity,)	
Defendant.)	

ORDER

(Filed May 5, 2004)

The parties have not filed any objections to the proposed dismissal of this civil action as described in our Order of April 22, 2004. Accordingly, it is hereby

ORDERED that pursuant to the decision issued by the United States Court of Appeals for the Fourth Circuit, the October 30, 2002 Order and Memorandum Opinion issued by this Court are VACATED; and it is further

ORDERED that this civil action be and is DISMISSED under Fed. R. Civ. P. 12(b)(1).

The Clerk is directed to forward copies of this Order to counsel of record.

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Entered this 5th day of May, 2004.

/s/ Leonie M. Brinkema
Leonie M. Brinkema
United States District Judge

Alexandria, Virginia

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IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

INVENTION SUBMISSION)	
CORPORATION,)	
Plaintiff)	
v.)	Civil Action No.
JAMES E. ROGAN, Under)	1:02cv1038
Secretary of Commerce for)	
Intellectual Property and)	
Director, United States)	
Patent and Trademark Office,)	
U.S. Department of Commerce,)	
in his official capacity,)	
Defendant.)	

ORDER

(Filed Apr. 22, 2004)

The United States Court of Appeals for the Fourth Circuit has returned the mandate in this civil action with instructions to dismiss this civil action under Fed. R. Civ. P 12(b)(1) rather than Rule 12(b)(6), and to vacate the Court's memorandum opinion. Accordingly, it is hereby

ORDERED that the parties advise the Court within ten days of any reason why the Court should not comply with this Order at this time.

The Clerk is directed to forward copies, of this Order to counsel of record.

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Entered this 22nd day of April, 2004.

/s/ Leonie M. Brinkema
Leonie M. Brinkema
United States District Judge

Alexandria, Virginia

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125 S. Ct. 415; 160 L. Ed. 2d 317;
2004 U.S. LEXIS 7119; 73 U.S.L.W. 3272

Invention Submission Corporation, Petitioner
v. Jonathan W. Dudas, as Undersecretary of Commerce
for Intellectual Property and Director, Patent and
Trademark Office, Department of Commerce.

No. 04-40.

SUPREME COURT OF THE UNITED STATES

November 1, 2004, Decided

JUDGES: Rehnquist, Stevens, O'Connor, Scalia, Kennedy, Souter, Thomas, Ginsburg, Breyer.

OPINION: Petition for writ of certiorari to the United States Court of Appeals for the Fourth Circuit denied.

357 F.3d 452

No. 02-2461

**UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT**

**INVENTION SUBMISSION CORPORATION,
a Pennsylvania Corporation, Plaintiff-Appellant,
v. JAMES E. ROGAN, Under Secretary of
Commerce for Intellectual Property and Director,
United States Patent and Trademark Office,
U.S. Department of Commerce, in his
official capacity, Defendant-Appellee.**

**October 30, 2003, Argued
February 11, 2004, Decided**

COUNSEL: Edward B. Friedman, FRIEDMAN & FRIEDMAN, Pittsburgh, Pennsylvania, for Appellant.

Rachel Celia Ballow, Assistant United States Attorney, Alexandria, Virginia, for Appellee.

ON BRIEF: J. Stephen Purcupile, Carolyn M. Corry, FRIEDMAN & FRIEDMAN, Pittsburgh, Pennsylvania; Richard C. Sullivan, Jr., REED SMITH, L.L.P., Falls Church, Virginia, for Appellant.

Paul J. McNulty, United States Attorney, Alexandria, Virginia, for Appellee.

JUDGES: Before WILKINS, Chief Judge, and NIEMEYER and SHEDD, Circuit Judges. Judge Niemeyer wrote the opinion, in which Chief Judge Wilkins and Judge Shedd joined.

OPINION BY: NIEMEYER

OPINION: NIEMEYER, Circuit Judge:

Invention Submission Corporation commenced this action under the Administrative Procedure Act ("APA") against James E. Rogan in his official capacity as Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("PTO"), alleging that the PTO's 2002 advertising campaign to alert the public about "invention promotion scams" was aimed at Invention Submission to penalize it and ultimately put it out of business. Invention Submission alleged that the advertising campaign was an illegal final agency action that was arbitrary and capricious and exceeded any statutory authority conferred on the PTO.

On the PTO's motion to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(1), based on the ground that the PTO advertising campaign was not a "final agency action" and therefore that the district court lacked subject matter jurisdiction, the district court dismissed the action. *See Invention Submission Corp. v. Rogan*, 229 F. Supp. 2d 498 (E.D. Va. 2002). The district court, however, acted under Federal Rule of Civil Procedure 12(b)(6), concluding that "under any set of facts that could be proved consistent with the [complaint's] allegations," no relief could be granted to Invention Submission.

Reviewing the district court's order *de novo*, we agree that the complaint must be dismissed, but not under Rule 12(b)(6). As we explain below, we conclude that because the PTO's advertising campaign was not a final agency action – a conclusion that the district court also reached in its opinion – the district court had no subject matter jurisdiction to review it. *See* 5 U.S.C. § 704. We must therefore vacate the district court's order of October 30, 2002, as well

as the supporting opinion, and remand with instructions to dismiss Invention Submission's complaint for lack of subject matter jurisdiction.

I

Congress enacted the Inventors' Rights Act of 1999, 35 U.S.C. § 297, to protect inventors from invention promotion scams and the deceptive advertising related to them by authorizing the PTO to publicize complaints that it receives against invention promoters. *See* 145 Cong. Rec. S14521 (Nov. 10, 1999). The Act and the regulations adopted under it impose a duty on the PTO "to provide a forum for the publication of complaints concerning invention promoters." 37 C.F.R. § 4.1; *see also* 35 U.S.C. § 297(d). The Act and regulations do not, however, authorize the PTO to conduct any independent investigations of invention promoters, authorizing instead enforcement by injured persons through civil actions. *See* 35 U.S.C. § 297(b), (d); 37 C.F.R. § 4.1.

In connection with its duty to publicize complaints concerning invention promoters, the PTO initiated an advertising campaign in January 2002 to alert the public to "invention promotion scams," and its advertisements stated, "Make sure your ideas – and your money – don't wash away. To learn more, call the U.S. Patent and Trademark Office toll-free." In launching the media campaign, the PTO stated in a press release:

This week, the United States Patent and Trademark office (USPTO) unveils a television and radio campaign in five media markets to counter the flood of deceptive advertising aimed at

America's independent inventors. . . . The Agency also will be placing print ads. . .

"USPTO's ads caution inventors that 'if it sounds too good to be true, it is,'" said James E. Rogan, Under Secretary of Commerce for Intellectual Property. "Our ads offer practical information, guiding inventors to USPTO's Office of Independent Inventor Programs, where they can get real help with patenting and marketing their inventions."

Every year invention promotion scams cost U.S. inventors an estimated \$200 million. The spots feature an actual inventor, Edward Lewis, who lost several thousand dollars.

In the print advertising published by the PTO, Edward Lewis is quoted as saying, "I spent \$13,000 and three years 'spinning my wheels' with a company that promised my idea would make lots of money. They were right. It made lots of money . . . *for them*. I haven't seen a penny."

A journalist for a cable television network, who saw the PTO's advertising campaign, contacted the PTO and requested contact information for Lewis. After the PTO provided the information, the cable television network interviewed Lewis and published a story that revealed that, in the PTO-published quotation of Lewis, Lewis was referring to his relationship with Invention Submission Corporation, an invention promoter. The article revealed that Lewis had filed a complaint with the PTO in August 2001 that was "being processed." The article also revealed that Invention Submission was one of several companies investigated by the FTC in the 1990s "for misrepresentation in patent marketing schemes." It stated that in 1994, "without admitting or denying guilt, the company agreed

to pay a \$1.2 million settlement for refunds in the case, as well as change its business practices." The article included Invention Submission's response to Lewis' accusations that "it did nothing wrong, that neither its representatives nor commercials misled Lewis or any other inventor."

Edward Lewis, from Sicklerville, New Jersey, who invented "BodyGuard" to "shield automobile paint while tough wheel-cleaning products do their work," had indeed filed a complaint with the PTO against Invention Submission on August 1, 2001, and the PTO sent a copy of the complaint for response to Invention Submission on March 1, 2002. Sometime before March 26, 2002, Invention Submission and Lewis resolved Lewis' complaint, and, on that date, Lewis withdrew his complaint from the PTO. Accordingly, Invention Submission advised the PTO that it was not submitting a response to the complaint, and the PTO did not post Lewis' complaint on the agency's web site.

A few months after Lewis withdrew his complaint from the PTO, Invention Submission commenced this action against the PTO under the APA, alleging that because the PTO was authorized only to receive customer complaints, provide invention promoters with notice and reasonable opportunity to respond, and provide a forum to publicize complaints and responses, the PTO exceeded its authority in publicizing Lewis' complaint in its media advertising and illegally used the public media to single out Invention Submission to penalize it. As it alleged:

[T]he PTO intentionally publicized ISC [Invention Submission] as the invention company which was the subject of the Lewis complaint, for the purpose of stigmatizing ISC.

The PTO knew that, if the Lewis complaint was not withdrawn, and was subsequently made publicly available on the PTO's web site under the [Inventors' Rights Act], ISC would be further identified with the PTO's unfair and untrue television and print advertisements, and an additional link would be established between ISC and the PTO's statements about "scams" and false promises of money to Lewis.

The PTO thereby knowingly violated the [Inventors' Rights Act's] requirement that it make the Lewis complaint publicly available only in a neutral forum, without comment or judgment, together with ISC's response.

In addition, Invention Submission's complaint alleged that John Calvert, the Acting Director of the Office of Independent Inventor Programs at the PTO, "demonstrated [an] animus of the PTO against ISC when he stated an intention to solicit and investigate customer complaints despite the PTO's lack of authority to do this." Invention Submission's complaint described a meeting of inventors at which Calvert was alleged to have said:

The only way that we do not post it [a customer complaint] is if you withdraw it, and we have one company that Bob . . . and I were talking about that has a tendency to settle quickly . . . but we're going to get them up there yet. We got to find somebody that doesn't want to settle and get their name on our Internet, on the Internet site, and we will have them up eventually. We have one up there now, and you can look at it.

The complaint concluded with allegations that in pursuing these actions directed against Invention Submission, the PTO "has taken final agency actions in the nature of imposing sanctions and/or failing to act in accordance with the [Inventors' Rights Act] and the regulations," and therefore, under the APA, the actions were "arbitrary, capricious, an abuse of discretion[,] . . . contrary to constitutional right[,] in excess of statutory jurisdiction, authority, or short of statutory right." Invention Submission sought declaratory and injunctive relief, as well as attorneys fees.

The PTO filed a motion to dismiss Invention Submission's complaint for lack of subject matter jurisdiction, asserting that the federal courts could review only "final agency actions" and that the PTO's alleged conduct did not qualify as a final agency action. The district court granted the PTO's motion, but it did so under Federal Rule of Civil Procedure 12(b)(6). The court assumed the facts of the complaint to be true and concluded that "it is clear as a matter of law that no relief could be granted under any set of facts that could be proved consistent with the allegations." The court ruled first that because it was Lewis, not the PTO, who identified Invention Submission, it could only be speculation that the PTO was referring to Invention Submission by quoting Lewis in the advertising. Focusing on Calvert's statements, the district court observed that they were merely consistent with the congressional intent behind passage of the Inventors' Rights Act that "invention promotion scams harm individual inventors and ought to be eliminated." In addition, the court concluded that such statements could not be considered agency action. The district court also found that any harm sustained by Invention Submission was indirect because it

was not based directly upon what the PTO included in its advertising campaign. Therefore, the court concluded, "The PTO's publications in this case were merely generic advertisements of agency programs not specifically naming the plaintiff. Any harm to the plaintiff was, at most, indirect." Finally, the district court rejected the plaintiff's contention that PTO violated its own regulations by using the media to enforce a private complaint. It concluded:

Even if plaintiff could demonstrate that the defendant violated agency regulations, an agency's failure to follow its own regulations is only actionable under the APA if it results in a final agency action. A violation of agency regulations alone, absent some harm to the plaintiff, is not reviewable. As discussed above, plaintiff has not alleged any specific harm caused by the defendant's actions.

Accordingly, the district court entered an order dated October 30, 2002, dismissing the complaint "with prejudice."

This appeal followed.

II

Invention Submission contends that PTO's advertising campaign was both false and unauthorized, targeting Invention Submission in order to penalize it and put it out of business. It argues that the Inventors' Rights Act of 1999 granted the PTO only limited authority to create a forum to publish complaints and responses to them and that the PTO's 2002 advertising campaign directed at Invention Submission went beyond this stated authorization. Therefore, it asserts that the campaign was illegal

agency action. Invention Submission relies heavily on *Industrial Safety Equipment Association, Inc. v. EPA*, 267 U.S. App. D.C. 112, 837 F.2d 1115 (D.C. Cir. 1988), to justify court review of this agency conduct under the APA.*

In *Industrial Safety*, the D.C. Circuit held that an agency's publication of a report evaluating respirators for their effectiveness in protecting against asbestos exposure was not an "agency action," as used in the APA, that was reviewable in court, even though the report recommended against using several respirators that had already been certified for use. Observing that its own precedent in

* In its brief, Invention Submission also seeks to justify the federal court's jurisdiction on its general equity jurisdiction to review unlawful actions of officials of an administrative agency, under the "McAnnulty Doctrine," citing *American School of Magnetic Healing v. McAnnulty*, 187 U.S. 94, 47 L. Ed. 90, 23 S. Ct. 33 (1902), and a plurality opinion in *Joint Anti-Fascist Refugee Committee v. McGrath*, 341 U.S. 123, 95 L. Ed. 817, 71 S. Ct. 624 (1951).

Invention Submission did not, however, bring this action against the PTO under the "McAnnulty Doctrine," but rather relied exclusively on the APA. In addition, it did not present this theory to the district court. In its brief, it argues that its reliance in the district court on *Industrial Safety* was the same as reliance on the "McAnnulty Doctrine," and because it relied on *Industrial Safety* before the district court, it therefore was, by implication, relying on the "McAnnulty Doctrine." But this syllogism mischaracterizes *Industrial Safety*. The court in *Industrial Safety* did not discuss the "McAnnulty Doctrine," a doctrine of equity jurisdiction apart from the APA, but rather was construing the APA itself. The discussion in *Industrial Safety* on which Invention Submission relied related to whether an agency's penalizing a party through adverse publicity was a "sanction" as defined by 5 U.S.C. § 551(10), which in turn was included as a component of "agency action," defined in § 551(13).

For these reasons, we do not address whether the "McAnnulty Doctrine," which Invention Submission raises for the first time on appeal, provides a basis for judicial review of unlawful agency action.

Hearst Radio, Inc. v. FCC, 83 U.S. App. D.C. 63, 167 F.2d 225 (D.C. Cir. 1948) (holding that "agency action," including its component term "sanction," does not include an agency's publication of a report, even if the report is false and amounts to libel causing actual damage), might be too restrictive, the D.C. Circuit explained that *Hearst Radio* created a problem because it failed "to . . . protect[] parties from false or unauthorized agency news releases." 837 F.2d at 1118. Inasmuch as the APA's definition of "agency action" includes agency sanctions, adverse publicity might be a "sanction" and therefore an agency action in certain circumstances:

Thus, though adverse impact alone would not necessarily make agency publicity reviewable as a sanction, an agency intent on penalizing a party through adverse publicity, especially false or unauthorized publicity, might well merit a review of its action. This conclusion would be especially compelling if an information release caused "destruction . . . of property," or "revocation . . . of a license."

Id. at 1119 (quoting 5 U.S.C. § 551(10)) (citation omitted). The court found no facts in the record before it to justify an exploration of the interpretation that adverse publicity *might* amount to a sanction, and it concluded that the agency's publication of the asbestos respirator report was not an agency action under any other component of the APA definition that would make it reviewable by a court. *Id.*

Invention Submission's argument that the district court had jurisdiction thus rests on its advancement of an interpretation of "agency action" that would include — through the "sanction" component of the definition of

agency action – false or unauthorized advertising aimed at the plaintiff. See 5 U.S.C. §§ 551(10), 551(13).

The PTO argues that our recent decision in *Flue Cured Tobacco Cooperative Stabilization Corp. v. EPA*, 313 F.3d 852 (4th Cir. 2002), which does not construe “agency action” so broadly as might be indicated by *Industrial Safety*, controls the outcome of this case. In *Flue-Cured Tobacco*, we held that publication of an EPA report that classified environmental tobacco smoke as a potentially harmful human carcinogen was not an agency action reviewable under the APA, even though the report was allegedly arbitrary and capricious and created harm to the plaintiff. The PTO argues that even though Invention Submission was displeased with the advertising campaign, it cannot challenge the campaign in the courts because the campaign at most produced only “coercive pressures on third parties” and did not signal the “consummation of the agency’s decisionmaking process so as to ‘give rise to legal consequences, rights, or obligations.’” Addressing Invention Submission’s reliance on *Industrial Safety*, the PTO argues that the D.C. Circuit’s statements in that case were only posited as potential holdings and were no more than dicta. In addition, the PTO argues that our decision in *Flue-Cured Tobacco* followed the D.C. Circuit’s decision in *Hearst Radio*, which the *Industrial Safety* decision criticized but did not overrule. For these reasons, the PTO contends that *Industrial Safety* is hardly persuasive precedent in this circuit.

Thus, the issue presented is whether the PTO’s advertising campaign, allegedly aimed at Invention Submission to penalize it, constituted final agency action under the APA so as to be reviewable in court. See 5 U.S.C. §§ 702, 704. As a question of subject matter jurisdiction,

see *Flue-Cured Tobacco*, 313 F.3d at 857, we must address this issue before evaluating Invention Submission's complaint for whether it states a claim upon which relief can be granted, see *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 93-95, 140 L. Ed. 2d 210, 118 S. Ct. 1003 (1998), although these questions are close to one another in circumstances such as are presented in this case, see *Montana-Dakota Utils. Co. v. Northwestern Pub. Serv. Co.*, 341 U.S. 246, 249, 95 L. Ed. 912, 71 S. Ct. 692 (1951).

Section 704 of the APA provides that "final agency action for which there is no other adequate remedy in a court [is] subject to judicial review." 5 U.S.C. § 704. "Agency action" is defined to include "the whole or a part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof." *Id.* § 551(13). Although each of the constituent elements of "agency action" are in turn defined in § 551, at bottom, a final agency action as used in § 704 must be the "consummation of the agency's decisionmaking process . . . [and] must be [an action] by which rights or obligations have been determined, or from which legal consequences will flow." *Bennett v. Spear*, 520 U.S. 154, 178, 137 L. Ed. 2d 281, 117 S. Ct. 1154 (1997) (internal quotation marks and citations omitted); *Flue-Cured Tobacco*, 313 F.3d at 858. In *Flue-Cured Tobacco*, we explained that the persuasive value of agency reports or publications did not create a reviewable agency action under the APA because such reports or publications in themselves did not "create any rights, obligations, or consequences." 313 F.3d at 860. As we summarized it:

We do not think that Congress intended to create private rights of actions to challenge the inevitable objectionable impressions created whenever

controversial research by a federal agency is published. Such policy statements are properly challenged through the political process and not the courts.

Id. at 861. Those principles govern the disposition of this case.

In this case, the advertising material published by the PTO under the Inventors' Rights Act did not name or single out Invention Submission or any other invention promoter. The advertisements were facially neutral, aimed at all invention promotion scams – scams that the advertisements asserted were causing the public to lose \$200 million each year. While the advertising did include a quotation from "Edward Lewis, Inventor," it quoted his experience with an unidentified company. Lewis is quoted as saying that "I spent \$13,000 and three years 'spinning my wheels' with a company that promised my idea would make lots of money." (Emphasis added).

Invention Submission argues that the advertising campaign linked Invention Submission with Lewis because a journalist was able to interview Lewis and obtain the details of his experiences with Invention Submission and because the PTO made that possible by providing the journalist with Lewis' telephone number. Whether a third person could obtain sufficient information to link the two, however, does not taint the otherwise nonspecific advertising. The PTO did not publish any material that linked Lewis with Invention Submission, and it did not post Lewis' complaint on its web site.

"[T]he Administrative Procedure Act does not provide judicial review for everything done by an administrative agency," *Hearst Radio*, 167 F.2d at 227, and the PTO's

advertising campaign, including its conduct in giving a journalist Lewis' telephone number, is not the type of conduct that constitutes agency action that is reviewable in court under the APA. Other than the administrative decision to conduct an advertising campaign at all – a decision that Invention Submission has not challenged – the content of the campaign was not the consummation of any decisionmaking process that determined rights or obligations or from which legal consequences flowed. See *Bennett*, 520 U.S. at 178; *Flue-Cured Tobacco*, 313 F.3d at 858. Moreover, by looking at the campaign material, the public would see only that a consumer complained about an invention promoter and that invention promotion scams are causing the public \$200 million in losses every year. Surely Invention Submission would not suggest that the attribution in the advertisements of \$200 million in losses to patent scams was in any respect focusing the public's eye on it. The text of the advertising material can only be construed to be an effort by the PTO to inform inventors of the perils and potential scams that they might encounter during the patent process. Such advertising did not create "legal consequences" for Invention Submission or any other member of the public cognizable as final agency action, and the campaign itself did not determine any right or obligation of any party.

While Invention Submission points to the adverse effect it suffered as a result of the campaign, that effect was based on the fact that a journalist linked Invention Submission with Lewis, and such an indirect impact does not transform the agency's conduct into final agency action under the APA. See *Flue-Cured Tobacco*, 313 F.3d at 860. If the PTO's advertising made business more difficult for Invention Submission by raising the public's awareness,

the decisions of members of the public "are attributable to independent responses and choices of third parties" and cannot be imputed to the PTO for purposes of determining whether its conduct was a final agency action. *See id.* at 861.

Invention Submission argues that the advertising must not be considered only facially but also in light of the intent of PTO officials whose purpose was more clearly focused on Invention Submission. Such underlying intent of agency officials, however, does not convert the PTO's legal advertising material warning generally of invention promotion scams – the purpose for which Congress enacted the Inventors' Rights Act – into a PTO sanction imposed on Invention Submission that would be reviewable in court, especially when the material itself does not reference an intent to penalize any particular company. The measure of the advertising campaign must be made by the information conveyed by it to the public. As we have noted, the effect of the PTO's campaign so measured was not a regulatory effect reviewable in court, but at most an indirect effect from third parties and market forces.

In short, the PTO's advertising campaign warning the public about invention promotion scams was consistent with the PTO's commission granted by the Inventors' Rights Act of 1999, and in the circumstances of this case, the decision to pursue such a campaign, as well as its content, did not create a final agency action that is reviewable in court. As we said in *Flue-Cured Tobacco*, this type of a campaign is "properly challenged through the political process and not the courts." 313 F.3d at 861.

III

Because the conduct of the PTO that is the subject of this action did not constitute "final agency action" as used under the APA, the district court did not have subject matter jurisdiction to evaluate the complaint under Rule 12(b)(6) and should have dismissed this case under Rule 12(b)(1). We therefore vacate its order of October 30, 2002, as well as the supporting opinion, and remand with instructions to dismiss this case under Federal Rule of Civil Procedure 12(b)(1).

VACATED AND REMANDED WITH INSTRUCTIONS

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

JUDGMENT FILED: February 11, 2004

NO. 02-2461
CA-02-1038-A

INVENTION SUBMISSION CORPORATION,
a Pennsylvania Corporation

Plaintiff-Appellant

v.

JAMES E. ROGAN, Under Secretary of Commerce
for Intellectual Property and Director, United States
Patent and Trademark Office, U. S. Department of
Commerce, in his official capacity

Defendant-Appellee

Appeal from the United States District Court for the
Eastern District of Virginia at Alexandria

In accordance with the written opinion of this Court
filed this day, the Court vacates the judgment of the
District Court. This case is remanded to the District Court
for further proceedings consistent with the Court's opin-
ion.

App. 38

A certified copy of this judgment will be provided to the District Court upon issuance of the mandate. The judgment will take effect upon issuance of the mandate.

/s/ Patricia S. Connor
CLERK

229 F. Supp. 2d 498

Civil Action No. 02-1038-A

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA,
ALEXANDRIA DIVISION**

**INVENTION SUBMISSION CORPORATION,
Plaintiff, v. JAMES E. ROGAN, UNDERSECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR, UNITED STATES PATENT
AND TRADEMARK OFFICE, U.S. DEPARTMENT
OF COMMERCE, Defendant.**

**October 30, 2002, Decided
October 30, 2002, Filed**

COUNSEL: FOR PLAINTIFF: Richard C. Sullivan, Jr.,
Reed Smith LLP, Falls Church, VA.

FOR DEFENDANT: Rachel C. Ballow, Asst. U.S. Attor-
ney, U.S. Attorney's Office, Alexandria, VA.

JUDGES: Honorable Leonie M. Brinkema, United
States District Judge.

OPINION BY: Leonie M. Brinkema

OPINION:

MEMORANDUM OPINION

This matter is before the Court on defendant's Motion to Dismiss plaintiff's complaint. For the reasons set forth below, the motion will be granted.

BACKGROUND

This case arises out of efforts by the United States Patent and Trademark Office ("PTO") to implement the Inventors' Rights Act of 1999 ("IRA"). 35 U.S.C. § 297

(2002). The IRA was designed to protect inventors who each year "lose tens of millions of dollars" to "invention promotion scams." 141 Cong. Rec. S14521 (Nov. 10, 1999).

The IRA mandates certain disclosures by invention promoters to their customers and provides for a private right of action against invention promoters. The IRA also requires the Commissioner of Patents to receive complaints regarding invention promoters and make these complaints available to the public. 35 U.S.C. § 297. Specifically, the IRA provides that the PTO

shall make all complaints received by the Patent and Trademark Office involving invention promoters publicly available, together with any response of the invention promoters. The Commissioner of Patents shall notify the invention promoter of a complaint and provide a reasonable opportunity to reply prior to making such complaint publicly available.

35 U.S.C. § 297(d)(1).

In September of 2000, the PTO adopted regulations implementing the IRA, and set up a website on which to publish complaints received under the IRA. The regulations state that "the invention promoter named in the complaint will be notified of the complaint and given 30 days to respond. The invention promoter's response will be made available to the public along with the complaint." 37 C.F.R. § 4.4 (2002).

In August 2001, the PTO received a complaint from Edward Lewis regarding the plaintiff, Invention Submission Corporation ("ISC"), in which Lewis alleged that he paid ISC for help patenting and marketing his invention and received nothing in return. Lewis wrote in his complaint

"the representative indicated to me that I would make a lot of money with my invention and I have made nothing." Shortly after receiving Lewis' complaint, the PTO contacted Lewis and solicited his participation in a PTO media campaign regarding invention promotion companies. Lewis agreed to participate by appearing in television and print advertisements.

On January 10, 2002, the PTO issued a press release announcing a nationwide media campaign "to counter the flood of deceptive advertising aimed at America's independent inventors." The campaign included television and print advertisements that featured a picture of Lewis and his statement that he spent \$13,000 and three years and "[hasn't] seen a penny." The advertisements, which ran from January through May of 2002, did not mention ISC by name. However, in response to a request from TechTV, a cable television network, the PTO disclosed contact information for Lewis to a TechTV reporter. After interviewing Lewis, TechTV ran a story in which it identified ISC as the invention promoter involved in the Lewis complaint.

On March 1, 2002, after the general media campaign had begun, but before Lewis' complaint was posted on the PTO website, the PTO gave ISC notice of the Lewis complaint. On March 26, 2002, Lewis attempted to withdraw his complaint, apparently after settling with ISC, and requested that the PTO discontinue using him in their media campaign. By letter that same day, John Calvert of the PTO informed Lewis that his request to withdraw his complaint was received and the complaint would not be posted on the website. The record establishes that Lewis' complaint never appeared on the website. The TV ads, however, continued to run until March or April of 2002.

Plaintiff alleges in its complaint that the PTO's actions with respect to ISC are motivated by bias. As evidence of this bias, plaintiff cites public statements by John Calvert, Acting Director of the Office of Independent Inventor Programs, in which he states that he hates "these invention marketing firms" and wants to "put these people out of business." None of these statements mention ISC specifically.

On June 17, 2002, plaintiff brought the instant complaint in which it claims that the PTO's use of Lewis' complaint in its media campaign was a final agency action which is reviewable under the Administrative Procedures Act ("APA"). Plaintiff seeks declaratory and injunctive relief.

DISCUSSION

A. Standard of Review

A motion to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure is properly granted where, assuming the facts in the complaint are true, it is clear as a matter of law that no relief could be granted under any set of facts that could be proved consistent with the allegations. *Hishon v. King & Spalding*, 467 U.S. 69, 73, 81 L. Ed. 2d 59, 104 S. Ct. 2229 (1984). Here, assuming the truth of plaintiff's allegations regarding the PTO's actions with respect to the Lewis complaint and the statements made by PTO officials, defendant makes two arguments for dismissal. First, defendant argues that the action taken by the PTO was not a final agency action within the meaning of the APA. Second, defendant argues that plaintiff's claim is moot because all advertisements and references to the Lewis complaint have been discontinued. Because we find that plaintiff's complaint fails to

state a cause of action under the APA, we decline to address defendant's mootness argument.

B. Administrative Procedures Act Claim

The APA authorizes review of "final agency action" for which there is no other adequate remedy in a court. 5 U.S.C. § 704 (2002). The Act defines agency action as "the whole or part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act." 5 U.S.C. § 551(13). An agency action will be considered final for purposes of judicial review if it is definitive and has direct or immediate legal force or practical effect, if the questions at issue are purely legal, and if immediate judicial review would foster agency and judicial efficiency. *Federal Trade Comm'n v. Standard Oil Co. of Cal.*, 449 U.S. 232, 239-40, 66 L. Ed. 2d 416, 101 S. Ct. 488 (1980).

Although plaintiff's complaint is extremely vague as to the specific final agency action at issue, in its opposition to the Motion to Dismiss plaintiff makes clear that it claims "the PTO's conduct in publicizing the Lewis complaint outside the neutral forum mandated by the IRA, together with its purported determination that Lewis was a victim of a 'scam,' was final agency action which is reviewable under the APA." Pl. Opp. at 14. We construe this explanation as an allegation that the PTO's actions were in the form of a sanction against ISC. Plaintiff also alleges that the PTO's actions are reviewable because they constitute a violation of the PTO's own regulations regarding inventor complaints.

At oral argument, plaintiff's counsel represented that its view of final agency action rests upon the reasoning in *Indus. Safety Equip. Assoc., Inc. v. EPA*, 267 U.S. App.

D.C. 112, 837 F.2d 1115 (D.C. Cir. 1988) ("*ISEA*"). In *ISEA*, the court held that an EPA report recommending industry use of only two types of asbestos protection respirators did not constitute final agency action because it was advisory in nature and, therefore, did not have a direct impact on the plaintiffs. 837 F.2d at 1121. In *dicta*, however, the court appeared to reject absolute immunity for agency publications because such immunity fails to protect parties from false or unauthorized agency news releases. *Id.* at 1118. The court said that "an agency intent on penalizing a party through adverse publicity, especially false or unauthorized publicity, might well merit a review of its action." *Id.* at 1119. Plaintiff contends that its complaint squarely presents the situation contemplated in *ISEA*.

Initially, we observe that this Court is not bound by *dicta* announced by an appellate court in another jurisdiction. However, even if we were bound by the *ISEA dicta*, the plaintiff would not prevail because it has failed to plead facts that would warrant judicial review of the PTO's actions.

First, the PTO's media campaign hardly supports plaintiff's view that the PTO was "intent on penalizing" the plaintiff because the plaintiff is not named anywhere in the PTO materials. Plaintiff argues that it was "inevitable" that ISC would be identified with these advertisements after the Lewis complaint was published on the PTO website, as required by the IRA. Had the PTO published Lewis' complaint on their website as required by the IRA, ISC would have been identified as the subject of a complaint, regardless of the media campaign. However, the Lewis complaint was never posted on the website. It was Lewis, not the PTO, who publicly identified the plaintiff to the media. ISC's allegation that the combination of

the two publications would create the impression that the PTO considered ISC a "scam" operation is too speculative. Even if such an impression were created, an impression alone cannot constitute agency action.

Plaintiff also cites to extemporaneous statements of PTO officials disparaging the invention promotion industry as a whole as evidence of the PTO's desire to sanction plaintiff. This argument is unpersuasive because such statements by agency officials do not, without more, constitute final agency action. See *Hazardous Waste Treatment Comm'n v. Reilly*, 291 U.S. App. D.C. 131, 938 F.2d 1390, 1396 (D.C. Cir. 1991); *Robinslaw Engineering, Inc. v. United States*, 891 F. Supp. 1134, 1150-51 (E.D. Va. 1995). Moreover, these statements, like the advertisements, do not mention the plaintiff in particular, but are directed at the industry generally. The PTO officials merely expressed a view, consistent with the Congressional intent behind passage of the IRA, that invention promotion scams harm individual inventors and ought to be eliminated. We find, therefore, that the PTO's general statements about the invention promotion industry cannot be considered equivalent to the agency imposing a sanction on the plaintiff.

Second, the PTO media campaign does not order the plaintiff or any third party to engage in or refrain from any action. In cases considering agency publication as a sanction, courts are careful to distinguish agency publications which are merely advisory in nature, and therefore not deemed agency action, from those that are agency action because they effect a parties' legal rights. See *ISEA*, 837 F.2d at 1120; *Pharmaceutical Mfrs. Asso. v. Kennedy*, 471 F. Supp. 1224, 1231 (D. Md. 1979). The PTO's actions in this case do not even rise to the level of advising the

public not to deal with the plaintiff. The advertisements merely alert the public to the PTO's concern about the invention promotion industry and how individual inventors may file complaints against invention promoters.

Finally, plaintiff has not alleged that it has been directly harmed by the defendant's actions. Even if plaintiff had alleged that its business had been harmed by the media campaign, the mere fact that activity by an agency has a "substantial impact" on a party, does not transform that activity into final agency action of which a party may seek judicial review under the APA. *ISEA*, 837 F.2d at 1121. Any harm to plaintiff's business based upon the PTO's statements about invention promoters in general would be indirect and the result of the reactions and choices of individual inventors. Such an indirect impact is not sufficient to support a finding of agency action. *See id.* (rejecting appellant's claim that an EPA report recommending certain asbestos protection respirators constituted an agency sanction because it would likely result in decreased consumer demand).

Plaintiff argues that the risk of a public connection between it and the PTO advertisement forced it to settle the Lewis complaint. Even if plaintiff felt forced to settle the Lewis complaint, such "harm" is also too indirect to render defendant's actions agency action. It is mere speculation that plaintiff would not have settled the Lewis complaint in the absence of the advertisements. As counsel admitted at oral argument, plaintiff settles the majority of complaints against it and may well have settled this complaint once it received the thirty-day notice of publication on the website, regardless of defendant's media advertising.

For all these reasons, we conclude that plaintiff's argument that its complaint states a claim for judicial review of the PTO's publications under the APA fails. The PTO's publications in this case were merely generic advertisements of agency programs not specifically naming the plaintiff. Any harm to the plaintiff was, at most, indirect.

In its opposition to defendant's Motion to Dismiss, plaintiff also argues that defendant's actions constitute final agency action because they were taken in violation of the IRA statute and agency regulations. However, plaintiff points to no specific regulation that the PTO has violated. Plaintiff complains that it was only notified of Lewis' complaint after the media campaign had begun and seven months after the complaint was received by the PTO. The regulations do not designate a time limit within which the PTO must notify the invention promoter of a complaint. Instead, they require that a promoter receive sufficient time to respond to the complaint. "The invention promoter named in the complaint will be notified of the complaint and given 30 days to respond." 37 C.F.R. § 4.4. Plaintiff was notified of the complaint and resolved it within thirty days of notification, thereby avoiding publication of the Lewis complaint on the PTO website.

Even if plaintiff could demonstrate that the defendant violated agency regulations, an agency's failure to follow its own regulations is only actionable under the APA if it results in a final agency action. A violation of agency regulations alone, absent some harm to the plaintiff, is not reviewable. As discussed above, plaintiff has not alleged any specific harm caused by the defendant's actions.

For these reasons we find that plaintiff's complaint fails to state a claim upon which relief can be granted and must be dismissed. An appropriate Order shall issue.

The Clerk is directed to forward copies of this Memorandum Opinion to counsel of record.

Entered this 30th day of October, 2002.

Leonie M. Brinkema

United States District Judge

Alexandria, Virginia

ORDER

For the reasons stated in the accompanying Memorandum Opinion defendant's Motion to Dismiss is granted and it is hereby

ORDERED that plaintiff's complaint be and is DISMISSED WITH PREJUDICE.¹

The Clerk is directed to forward copies of this Order to counsel of record.

Entered this 30th day of October, 2002.

Leonie M. Brinkema

United States District Judge

Alexandria, Virginia

¹ This ruling renders moot all pending motions.

App. 49

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

FILED
April 9, 2004

No. 02-2461
CA-02-1038-A

INVENTION SUBMISSION CORPORATION,
a Pennsylvania Corporation
Plaintiff-Appellant

v.

JAMES E. ROGAN, Under Secretary of Commerce
for Intellectual Property and Director, United States
Patent and Trademark Office, U.S. Department of
Commerce, in his official capacity
Defendant-Appellee

On Petition for Rehearing and Rehearing En Banc

The appellant's petition for rehearing and rehearing en banc was submitted to this Court. As no member of this Court or the panel requested a poll on the petition for rehearing en banc, and

As the panel considered the petition for rehearing and is of the opinion that it should be denied,

IT IS ORDERED that the petition for rehearing and rehearing en banc is denied.

App. 50

Entered for a panel comprised of Judge Wilkins,
Judge Niemeyer, and Judge Shedd.

For the Court

/s/ Patricia S. Connor
CLERK

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

INVENTION SUBMISSION)	
CORPORATION,)	
)	
Plaintiff,)	
)	
v.)	
)	
JAMES E. ROGAN, UNDER)	Civil Action No.:
SECRETARY OF COMMERCE)	02-1038-A
FOR INTELLECTUAL)	
PROPERTY AND DIRECTOR,)	Judge Brinkema
UNITED STATES PATENT AND)	
TRADEMARK OFFICE, U.S.)	
DEPARTMENT OF COMMERCE,)	
in his official capacity,)	
)	
Defendant.)	

**PLAINTIFF'S RESPONSE TO THE COURT'S
ORDER DATED APRIL 22, 2004, MOTION TO
VACATE ORDER OF MAY 5, 2004, AND MOTION
FOR LEAVE TO FILE AMENDED COMPLAINT**

(Filed May 5, 2004)

Plaintiff Invention Submission Corporation ("ISC"), by counsel, files the following Response to the Court's Order Dated April 22, 2004, and Motion to Vacate the Court's Order of May 5, 2004, and Motion for Leave to File Amended Complaint, as follows:

PROCEDURAL BACKGROUND

1. ISC filed suit against the U.S. Patent and Trade-mark Office (PTO) in this Court alleging that a PTO advertising campaign wrongfully targeted ISC for adverse

publicity. The PTO filed a Motion to Dismiss the Complaint for lack of subject matter jurisdiction pursuant to Fed. R. Civ. P. 12(6)(1), asserting sovereign immunity.

2. By Memorandum Opinion and Order dated October 30, 2002, this Court dismissed ISC's Complaint pursuant to Fed. R. Civ. P. 12(b)(6), for failure to state a claim upon which relief maybe granted.

3. ISC filed an appeal with the Fourth Circuit Court of Appeals, seeking review of the October 30, 2002 Order dismissing the Complaint.

4. On February 11, 2004, the Fourth Circuit Court of Appeals issued its opinion in *Invention Submission Corporation v. Rogan*, 357 F.3d 452 (4th Cir. 2004), vacating this Court's Order of October 30, 2002, and remanding with instructions to dismiss this case under Fed. R. Civ. P. 12(b)(1). The Fourth Circuit concluded that the conduct alleged in the Complaint did not constitute final agency action under the APA. The Fourth Circuit Court of Appeals has returned the mandate to this Court and jurisdiction has been reacquired by this Court.

5. By Order dated April 22, 2004, this Court requested that the parties advise the Court within ten days of any reason why the Court should not comply with the returned mandate to dismiss this civil action under Fed. R. Civ. P. 12(b)(1), rather than Rule 12(b)(6), and to vacate the Court's Memorandum Opinion and Order at this time.

6. ISC is currently preparing a Petition for Writ Of Certiorari to the United States Supreme Court asserting that the Fourth Circuit Court of Appeals' decision raises important questions of federal jurisdiction pertaining to judicial review of *ultra vires* agency action under the APA

in cases where a party alleges that an agency utilized false or unauthorized adverse publicity to penalize that party. The Petition is due to be filed by July 8, 2004. The mandate entered by the Fourth Circuit Court of Appeals is not currently subject to a stay order issued by the Fourth Circuit Court of Appeals or the United States Supreme Court.

**RESPONSE TO THE COURT'S
ORDER DATED APRIL 22, 2004**

7. Prior to complying with the mandate returned in this action, ISC requests that the Court grant ISC leave to amend its complaint to plead its claims under equity jurisdiction and the McAnnulty Doctrine.

8. After reacquiring jurisdiction on remand, a district court may permit the plaintiff to amend pleadings and to vary or expand issues, provided that the amendment does not involve an issue disposed of on appeal.

**MOTION TO VACATE THE COURT'S
ORDER OF MAY 5, 2004**

9. The Court's Order of April 22, 2004, ordered that the parties advise the Court within 10 days of any reason why the Court should not comply with the Fourth Circuit's order. Under Rule 6(a) of the Federal Rules of Civil Procedure, the computation of any period of time prescribed or allowed by any order of court which is less than 11 days does not include intermediate Saturdays and Sundays. Thus, the Court's Order of April 22, 2004, required response by the parties on or before May 6, 2004.

10. By filing this response to the Court's Order, and its Motion for Leave to File an Amended Complaint on May 5, 2004, ISC is within the time limits prescribed by the Court's April 22, 2004 Order. ISC now moves under FRCP 60 to vacate the May 5, 2004 Order, and asks this Court to do so to enable ISC to be heard on the issues timely raised in ISC's response to the April 22, 2004 Order and its Motion for Leave to File Amended Complaint. Counsel for Defendant has informed counsel for ISC that Defendant has no objection to ISC's Motion to Vacate, and indeed has only today filed Defendant's response to the Court's April 22, 2004 Order, having calculated the response date in the same manner as ISC.

MOTION FOR LEAVE TO FILE
AMENDED COMPLAINT

11. The relief requested by ISC is in response to the Fourth Circuit Court of Appeals' statement that ISC had not pled claims under equity jurisdiction and the McAnnulty Doctrine. In its opinion, in a footnote, the Fourth Circuit stated, as follows:

... Invention Submission Corporation ... seeks to justify the federal court's jurisdiction on its general equity jurisdiction to review unlawful actions of officials of an administrative agency, under the "McAnnulty Doctrine," citing *American School of Magnetic Healing v. McAnnulty*, 187 U.S. 94, 47 L.Ed. 90, 23 S.Ct. 33 (1902), and a plurality opinion in *Joint Anti-Fascist Refugee Committee v. McGrath*, 341 U.S. 123, 95 L.Ed. 817, 71 S.Ct. 624 (1951).

Invention Submission did not, however, bring this action against the PTO under the "McAnnulty

Doctrine," but rather relied exclusively on the APA.

* * *

For these reasons, we do not address whether the "McAnnulty Doctrine," . . . provides a basis for judicial review of unlawful agency action.

357 F.3d at 457.

12. The Fourth Circuit Court of Appeals concluded that the Court's authority to review *ultra vires* agency actions under equity jurisdiction and the McAnnulty Doctrine is separate and apart from the APA. In light of this distinction, the mandate requires this Court to dismiss under Rule 12(b)(1) for lack of subject matter jurisdiction because the conduct of the PTO that is the subject of this action did not constitute final agency action under the APA.

13. ISC seeks leave to amend its complaint in accordance with Fed. R. Civ. P. 15 and 28 U.S.C. § 1653 in order to address the distinction raised by the Fourth Circuit Court of Appeals in its opinion and plead jurisdiction for its claim under equity jurisdiction and the McAnnulty Doctrine.

14. Under Fed. R. Civ. P. 15(a), a party may amend its pleading once as a matter of course at any time before a responsive pleading is served, otherwise a party may so amend its pleading only by leave of court or by written consent of the adverse party, which leave shall be freely given when justice so requires. Amendment of pleadings to show jurisdiction is broadly authorized by 28 U.S.C. § 1653 at any stage of the proceeding.

15. Except for the jurisdictional basis for its claim, ISC's Amended Complaint does not raise new or additional matters. See Amended Complaint attached hereto as Exhibit A.

16. Granting leave for ISC to amend its Complaint is not inconsistent with the Fourth Circuit Court of Appeals' mandate which, while requiring dismissal under Rule 12(b)(1), does not address amendment of the Complaint pursuant to Fed. R. Civ. P. 15 and 28 U.S.C. § 1653 to plead jurisdiction in accordance with its opinion.

17. Justice requires that leave be granted to ISC in order to plead its claims under equity jurisdiction and the McAnnulty Doctrine.

18. The PTO is not prejudiced, as no responsive pleading has been filed, the parties have not engaged in discovery, and by statute any party may amend the jurisdictional allegations to show a basis for jurisdiction at any time whether in the trial or appellate court. 28 U.S.C. § 1653. The amended cause of action under the Court's general equity jurisdiction and the McAnnulty Doctrine is not barred by any applicable statute of limitations.

19. Justice requires that ISC be afforded judicial review of the *ultra vires* actions of the PTO, as otherwise there would be no remedy afforded for what ISC contends was false or unauthorized adverse publicity used by the PTO to target and penalize ISC.

20. Fairness requires that ISC be afforded the opportunity to amend the jurisdictional basis for review to conform with the appellate decision issued by the Fourth Circuit Court of Appeals.

WHEREFORE, plaintiff Invention Submission Corporation respectfully requests that the Court vacate the Order of May 5, 2004 and grant it leave to file the attached Amended Complaint and that the Court thereafter comply with the Fourth Circuit Court of Appeals' mandate by dismissing only Count I of the Amended Complaint under the Administrative Procedures Act, leaving for consideration ISC's claims in Count II of the Amended Complaint under equity jurisdiction and the McAnnulty Doctrine.

Respectfully submitted,
INVENTION SUBMISSION
CORPORATION
By Counsel

REED SMITH LLP

/s/ Richard C. Sullivan, Jr.

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FRIEDMAN and FRIEDMAN

900 Fifth Avenue

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(412) 261-5834

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Plaintiff's Response to the Court's Order Dated April 22, 2004, Motion to Vacate Order of May 5, 2004, and Motion for Leave to File Amended Complaint was hand delivered this 5th day of May, 2004 to:

Rachel C. Ballow, Esq.
Assistant United States Attorney
2100 Jamieson Avenue
Alexandria, Virginia 22314

/s/ Richard C. Sullivan, Jr.
Richard C. Sullivan, Jr.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

INVENTION SUBMISSION) Civil Action No.:
CORPORATION,) 02-1038-A
a Pennsylvania Corporation,)
217 Ninth Street)
Pittsburgh, PA 15222)
Plaintiff,)
v.)
JAMES E. ROGAN, UNDER)
SECRETARY OF COMMERCE)
FOR INTELLECTUAL PROPERTY)
AND DIRECTOR, UNITED STATES)
PATENT AND TRADEMARK OFFICE,)
U.S. DEPARTMENT OF COMMERCE,)
in his official capacity,)
2121 Crystal Drive)
Arlington, VA 22202)
Defendant.)

AMENDED COMPLAINT

Invention Submission Corporation files the following Amended Complaint against James E. Rogan, Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office, U.S. Department of Commerce, in his official capacity.

JURISDICTION AND VENUE

1. This court has federal question jurisdiction over the instant case under 28 U.S.C. §1331 as Invention

Submission Corporation (hereinafter "ISC") seeks judicial review under the Administrative Practices Act (hereinafter "APA") and nonstatutory judicial review under the court's general equity jurisdiction and the McAnnulty Doctrine of the United States Patent and Trademark Office's (hereinafter "PTO") conduct in acting and/or failing to act in an official capacity or under color of legal authority. Venue in the Eastern District of Virginia, Alexandria Division, is proper under 28 U.S.C. §1391(e), and 35 U.S.C. §1(b).

PARTIES

2. The plaintiff is ISC, a Pennsylvania corporation, with an address at The Renshaw Building, 217 Ninth Street, Pittsburgh, Pennsylvania, 15222. Invention Submission Corporation provides inventor-related services to the public. ISC has been treated by the Patent and Trademark Office as an "invention promoter," as that term is defined in the Inventors' Rights Act of 1999 (hereinafter "IRA"), 35 U.S.C. §297(c)(3).

3. Defendant James E. Rogan is Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, U.S. Department of Commerce, and Assistant Secretary of Commerce, and is named in his official capacity.

GENERAL ALLEGATIONS

4. The IRA, and the PTO regulations implementing the IRA, require that the PTO receive customer complaints against invention promoters, and provide the promoters with notice of the complaints and a reasonable opportunity to respond. The IRA and the regulations

further require that the PTO provide a neutral forum in which it makes publicly available customer complaints against invention promoters, and any responses of the invention promoters, without any judgment or comment relative to the complaints or responses. The IRA does not provide the PTO with any investigative or enforcement function or authority relative to customer complaints against invention promoters.

5. With respect to customer complaints concerning invention promoters, the IRA, 35 U.S.C. §297(d), provides in relevant part, as follows:

"[t]he Commissioner of Patents shall make all complaints received by the Patent and Trademark Office involving invention promoters publicly available, together with any response of the invention promoters. **The Commissioner of Patents shall notify the invention promoter of a complaint, and provide a reasonable opportunity to reply, prior to making such complaint publicly available.**" [Emphasis added]

6. The regulations of the Patent and Trademark Office at 37 C.F.R. §4.1, which implement the IRA, provide in relevant part as follows:

"These regulations govern the Patent and Trademark Office's (Office) responsibilities under the Inventors' Rights Act of 1999[.] . . . The Act requires the Office to provide a forum for the publication of complaints concerning invention promoters. **The Office will not conduct any independent investigation of the invention promoter.** Although the Act provides additional civil remedies for persons injured by invention promoters, those remedies must be pursued by

the injured party without the involvement of the Office." [Emphasis added]

7. On its web site, the PTO acknowledges that the IRA gives the PTO no authority relative to invention promoters except to receive customer complaints and any responses from invention promoters and make them publicly available in a neutral forum. In this regard, the text of the PTO's "Independent Inventors" web page states in relevant part, as follows:

"... The USPTO has no jurisdiction over matters relating to the promotion or utilization of patents or inventions, other than providing a public forum for complaints against invention promoters/promotion firms. The USPTO cannot act for or advise inventors concerning the business transactions or arrangements that are involved in the development and marketing of an invention. ...

* * *

While the USPTO does not investigate complaints or participate in any legal proceedings against invention promoters/promotion firms, under the American Inventors Protection Act of 1999, the USPTO will provide a public forum for the publication of complaints concerning invention promoters/promotion firms. Also, in the forum, the USPTO will publish responses to the complaints from the invention promoters/promotion firms."

[Emphasis added]

8. The regulations at 37 C.F.R. §4.3(b) contain requirements for complaints sent to the PTO for publication, including that each complaint must be "clearly

marked, or otherwise identified, as a complaint under these rules", and must contain:

- (1) The name and address of the complainant;
- (2) The name and address of the invention promoter;
- (3) The name of the customer;
- (4) The invention services offered or performed by the invention promoter;
- (5) The name of the mass media in which the invention promoter advertised providing such services;
- (6) An explanation of the relationship between the customer and the invention promoter; and
- (7) A signature of the complainant.

9. The PTO's regulations at §4.3(c) provide further requirements for the contents of complaints, as follows:

"The complaint should fairly summarize the action of the invention promoter about which the person complains. Additionally, the complaint should include names and addresses of persons believed to be associated with the invention promoter. Complaints, and any replies, must be addressed to the Office of Independent Inventor Programs, U.S. Patent and Trademark Office, Washington, D.C. 20231."

10. The PTO's regulations at §4.3(d) state the method by which the PTO is to handle complaints which do not conform to its regulations, as follows:

"Complaints that do not provide the information requested in paragraphs (b) and (c) of this section

will be returned. If complainant's address is not provided, the complaint will be destroyed."

11. The regulations at §4.3(f) provide for withdrawal of complaints by customers prior to publication by the PTO, as follows:

"A complaint [against an invention promoter] can be withdrawn by the complainant or the named customer at any time prior to its publication."

12. The regulations at 37 C.F.R. §4.4(a), relative to the PTO's duty to provide invention promoters with notice of a complaint and a reasonable opportunity to respond, provide in relevant part, as follows:

"If a submission appears to meet the requirements of a complaint, the invention promoter named in the complaint will be notified of the complaint and given 30 days to respond. **The invention promoter's response will be made available to the public along with the complaint.** If the invention promoter fails to reply within the 30-day time period set by the Office, the complaint will be made available to the public. Replies sent after the complaint is made available to the public will also be published."
[Emphasis added]

13. The PTO's regulations interpret the IRA as only providing the PTO with authority to receive customer complaints, provide invention promoters with notice and a reasonable opportunity to respond, receive the responses, and provide a neutral forum for both customer complaints and invention company responses to the complaints. Accordingly, the regulations set forth a specific course of action to be taken by the PTO relative to complaints.

14. The PTO acknowledges on its web site that it has no jurisdiction over what it calls the "promotion or utilization of patents or inventions," except to provide a neutral forum for complaints and responses; that it has no investigative power relative to invention promoters; and that it cannot even advise inventors relative to what it calls the "development and marketing of an invention."

15. The PTO violated the IRA and acted contrary to its own regulations by targeting ISC, an invention promoter, for a media campaign, by publicizing a customer complaint regarding ISC (hereinafter "Lewis' complaint") outside the neutral forum required by the IRA, by stigmatizing ISC as an "invention promotion scam," by using the news media to identify ISC with the Lewis complaint and with the PTO's comments about "scams," and by otherwise engaging in a course of conduct calculated to deny ISC's right to a neutral public forum.

16. The actions of the PTO in illegally publicizing Lewis' complaint, identifying ISC with that complaint, and otherwise mishandling customer complaints contrary to the IRA and its own regulations, are final agency actions taken by the PTO because of an animus against ISC, for the purpose of putting ISC out of business.

FIRST CAUSE OF ACTION- ADMINISTRATIVE PROCEDURES ACT

17. In or about August of 2001, the PTO received a complaint concerning ISC from an ISC customer, Edward Lewis, who states that he invented the "Bodyguard," an invention which is intended to protect the body of an automobile while the tires are washed.

18. Instead of complying with the IRA and the PTO's regulations, by providing ISC with notice of Lewis' complaint and an opportunity to respond, the PTO singled out ISC for a media campaign, even though it had no authority to do so. Pursuant to the decision to target ISC in this manner, and without any authority, the PTO contacted Lewis concerning his complaint, and solicited his participation in PTO advertisements publicizing his complaint regarding ISC.

19. Although the PTO has no authority to reformulate inventor complaints, it nonetheless worked with Lewis to reformulate his complaint for the PTO's television and print advertisements publicizing his complaint. In addition, the PTO expended funds and worked with advertising professionals and consultants to prepare television and print advertisements, with the intention of publicizing Lewis' complaint in a manner which was contrary to the IRA and without any statutory authority.

20. The PTO issued a press release on January 10, 2002, announcing a nationwide media campaign, purportedly to counter "patent scams," "invention promotion scams" and "deceptive advertising," but in actuality focusing on one invention company, ISC, and one customer complaint, Edward Lewis' complaint. See copy of press release, Exhibit 1.

21. In January of 2002, the PTO launched its media campaign publicizing the Lewis complaint, which consisted of television and print media advertisements which were run from approximately January through May, 2002. The media campaign included an article on the PTO web site, publicizing the Lewis complaint and referring to "scams," and false promises that the invention would

make money. See Exhibit 2, excerpt from the PTO web site. In conducting this advertising campaign, the PTO violated the IRA, which requires that complaints about invention promoters only be made publicly available in a neutral forum, together with the invention promoters' responses, and which does not permit the PTO to single out a particular complaint or a particular company.

22. In a further effort to target ISC, the PTO selected Pittsburgh, Pa., the location of ISC's headquarters, and also some of ISC's other markets, San Francisco/San Jose, Tampa, New York and southern Florida, as the markets in which to run its illegal television advertisements of the Lewis complaint, which contained references to "scams" and to false promises of financial gain.

23. As part of its illegal media campaign targeting ISC, the PTO intentionally publicized ISC as the invention company which was the subject of the Lewis complaint, for the purpose of stigmatizing ISC. In order to connect ISC with its comments in its advertisements about "invention promotion scams," for the purpose of causing harm to ISC, the PTO informed Peter Barnes of Tech TV, a cable television network, that ISC was the invention company which had contracted with Lewis. As a result, in a story on Tech TV on January 22, 2002, and in an article on the Tech TV web site, which is also published on the ABC News web site, Barnes reported on the PTO commercial involving Lewis which warned against scams and identified ISC as the invention company which had contracted with Lewis. See Exhibit 3 hereto. The Barnes story was picked up and linked by InventorEd and United Inventors Association (UIA), which are adversaries and critics of ISC, and Franklin Gray Patents, LLC, and placed on their web sites. As a result of the PTO's contacts with Barnes, it

became widely known that ISC was the company which was the subject of the Lewis complaint, and of the PTO's unfair advertisements. Thus, the PTO intentionally, and without any statutory authority, publicized ISC as an "invention promotion scam" and publicized that ISC had "scammed" Lewis and falsely promised him money from the "Bodyguard" invention.

24. The PTO knew that, if the Lewis complaint was not withdrawn, and was subsequently made publicly available on the PTO's web site under the IRA, ISC would be further identified with the PTO's unfair and untrue television and print advertisements, and an additional link would be established between ISC and the PTO's statements about "scams" and false promises of money to Lewis. Through its advertisements concerning Lewis' complaint, and the prospect of the Lewis complaint being made publicly available on the PTO's web site, the PTO placed enormous pressure on ISC to settle Lewis' complaint, although that complaint was unjustified.

25. In addition, ISC believes and therefore avers that the PTO revealed information on customer complaints involving ISC, and connected ISC to Lewis' complaint, in communications with persons who are critics and adversaries of ISC, and in communications with other members of the public. This action was in violation of the IRA, which only permits customer complaints to be made publicly available in a neutral forum, after providing the invention promoters with notice and an opportunity to respond.

26. Despite ISC's objections that advertisements of customer complaints violated the IRA, the PTO continued its media campaign against ISC. In approximately March

through May, 2002, the PTO ran advertisements of Lewis' complaint in *Inventors Digest* and *Popular Mechanics*, containing statements referring to "invention promotion scams," stating "don't get scammed," referring to false promises of money, and directing the public to the PTO web site. See copies of advertisements, Exhibit 4 hereto. The PTO stated on its web site that it also intended to run advertisements of Lewis' complaint in *Popular Science* and *Family Handyman*. By publicizing ISC as the company involved with Lewis through its contacts with Barnes and others, the PTO connected these advertisements to ISC, and thereby unfairly identified ISC as a "scam" and as a company which made false promises of money to customers.

27. The PTO, by publicizing the Lewis complaint in PTO advertisements with its unfair comments about "invention promotion scams" and "don't get scammed," and statements about alleged false promises of money, endorsed the Lewis complaint as factually correct. The PTO thereby knowingly violated the IRA's requirement that it make the Lewis complaint publicly available only in a neutral forum, without comment or judgment, together with ISC's response. Further, because the PTO had intentionally connected the Lewis complaint to ISC through its contact with Barnes, the PTO's advertisements of Lewis' complaint labeled ISC as a "scam."

28. Edward Lewis' complaint was the only customer complaint which the PTO publicized in a media campaign, and was the only complaint which the PTO had made public in any way at the time of this media campaign. No invention company other than ISC was targeted by the PTO in its media campaign, unfairly labeled as a "scam" by the PTO, or identified with a customer complaint

through contacts with the news media. Thus, the PTO demonstrated an animus against ISC, by singling it out for a media campaign labeling it a "scam," while not treating any other company in this manner.

29. After two months of conducting its media campaign regarding Mr. Lewis' complaint with television and print advertisements concerning "invention promotion scams," after it identified Lewis' complaint with ISC through its contacts with Barnes and Tech TV, and after it publicized Lewis' complaint on its own web site, the PTO for the first time provided ISC with notice of the Lewis complaint and an opportunity to respond on March 1, 2002. This was approximately eight months after the PTO first received the Lewis complaint, in or about August of 2001. This extensive delay in providing ISC any opportunity to respond to the Lewis complaint demonstrates the PTO's intentional violation of the IRA and its animus against ISC, since making Lewis' complaint publicly available subsequent to the unfair media campaign, even with an ISC response, would only exacerbate the harm to ISC.

30. Mr. Lewis attempted to withdraw his complaint with the PTO by letter dated March 26, 2002, and requested that the PTO discontinue using him in its media campaign. However, contrary to its own regulations, the PTO left Lewis' complaint on its web site after the complaint had been withdrawn, and continued to use Lewis in its media campaign. The PTO's failure to remove Lewis' complaint from its web site after Lewis withdrew it was arbitrary and capricious, because it was contrary to the PTO's own regulations, and was the result of an animus against ISC.

31. In addition to publicizing Lewis' complaint contrary to the IRA and its own regulations, identifying Lewis' complaint with ISC through contacts with Barnes and Tech TV, and publicizing Lewis' complaint after it was withdrawn, the PTO also took other agency actions which exceeded its statutory authority under the IRA, and which demonstrated an animus against ISC, as follows:

- a. soliciting complaints against ISC;
- b. contacting ISC customers who have complaints and suggesting content for complaints;
- c. contacting ISC customers who complained to make investigative inquiries into the facts of their complaints and any settlement efforts by ISC;
- d. sending complaints later than the date on the transmittal letter, so that ISC will not have the full thirty days' notice to attempt to investigate and resolve the complaints.

32. John Calvert, the Acting Director of the Office of Independent Inventor Programs at the PTO, demonstrated the animus of the PTO against ISC when he stated an intention to solicit and investigate customer complaints despite the PTO's lack of authority to do this, and an intention to circumvent the required neutrality of the PTO's forum for customer complaints and invention promoters' responses. In this regard, in his remarks at the Midwest Inventors' Council meeting on April 5, 2002, at which he spoke as a representative of the PTO, Calvert stated, as follows:

"The only way that we do not post it [a customer complaint] is if you withdraw it, and we have one

company that Bob . . . and I were talking about that has a tendency to settle quickly . . . but we're going to get them up there yet. We got to find somebody that doesn't want to settle and get their name on our Internet, on the Internet site, and we will have them up eventually. We have one up there now, and you can look at it."

33. ISC believes and therefore avers that the company to which Calvert was referring in the remarks quoted above was ISC, which has a policy and practice of attempting to resolve customer complaints, which predates the PTO's illegal publicity campaign against ISC. Thus, Calvert stated the PTO's intention to target ISC and to make certain that the PTO publicized complaints against ISC before ISC could settle the complaints, contrary to the IRA and the PTO's regulations, thereby demonstrating the PTO's animus against ISC.

34. In addition, Calvert made other statements as a representative of the PTO, which demonstrate the PTO's animus against invention companies in general and ISC in particular. In this regard, at the Midwest Inventors' Council meeting, Calvert stated, as follows:

"But, anyway, we are really trying to work and get these invention marketing firms put out of business.

* * *

I've also got Bob . . . out here . . . and I talked to Bob about this, a very, very informative gentleman that hates them as much as I do.

* * *

Before I leave the Office of Independent Inventor Programs, I want to see at least one

of these major companies out of business. That is my goal." [Emphasis added]

35. At the Minnesota Inventors Congress on June 14, 2002, John Calvert, speaking as a representative of the PTO, repeated the PTO's goal of putting ISC out of business, stating, as follows:

"My goal in life is to put these people out of business."

36. Based on Calvert's comments about a company which settles complaints quickly, and based on the PTO media campaign targeting ISC, ISC believes that it is the company which the PTO seeks to put out of business.

37. Calvert further manifested his and the PTO's animus against ISC when he stated publicly at the Minnesota Inventors Congress on June 14, 2002, that he would continue his illegal activities and challenged ISC to bring suit against the PTO. In this regard, Calvert stated, as follows:

"... I say, come and get me. Come and file suit. I'd love you to file suit and take me to federal court and I'll expose you as the bums you are."

38. In addition, at the Midwest Inventors' Council Meeting, on April 5, 2002, Calvert made statements which indicated that the PTO is investigating invention promoters and customer complaints concerning invention promoters, and is soliciting complaints against invention promoters. In this regard, Calvert stated, as follows:

"We need your help. If you run across anybody that's got or has been taken by an invention marketing firm, see us. Get them in

touch with us. I want to know about it. I'm really serious about this.

*** * ***

My daughter is a senior in college this year . . . and she said I have a project due . . . [at] the end of April. It's her last project for college, and it's to do an investigative report. She said, what do you think I should do? What do you think I told her? I told her that I can be a source, but I couldn't be named, because I can't say anything. I'm not allowed to, not without my handler, as they call him. So, she's going to talk to me. I also told her of an 800 number that she's going to call that she was on the T.V. the other day that she can actually call. She's got five questions she's going to ask that 800 number and get some information about it. That's her investigative report.

*** * ***

Hopefully, this will start some other people thinking. I'd like to see more of this. I keep getting phone calls from newspaper people around the country, and this is what I talk about more than anything else." [Emphasis added]

Although the IRA provides the PTO with no investigative authority, the PTO by its actions has attempted to assume the role of an investigative agency, contrary to the IRA and the PTO's regulations.

39. The PTO's actions in targeting ISC for its media campaign, publicizing Lewis' complaint outside the neutral forum without statutory authority and without providing ISC with an opportunity to respond, identifying ISC as the

company with which Lewis dealt through its contacts with Barnes of Tech TV, publicizing Lewis' complaint after it was withdrawn, and otherwise denying ISC its rights, demonstrate the PTO's animus against ISC and intent to put ISC out of business.

40. As a result of the PTO's actions contrary to the IRA and its own regulations, ISC has been subjected to a sanction by the PTO in being singled out for a media campaign in which the PTO endorsed allegations against ISC, identified ISC as the company which was the subject of publicity campaign through contacts with Barnes and Tech TV, and falsely characterized ISC as "invention promotion scam." ISC has thereby been harmed by being subjected to public identification as a "scam." No other invention company has ever been subjected to such a sanction by the PTO.

41. The PTO imposed the sanction of a publicity campaign against ISC, in which it use the word "scam" in connection with Lewis' complaint, and attached ISC's name to Lewis' complaint through identifying ISC to Peter Barnes of Tech TV as the company with which Lewis had dealt. The PTO took these actions without providing ISC with notice of Lewis' complaint and an opportunity to respond, or any process at all. These actions were performed without any statutory authority, either under the IRA or otherwise.

42. ISC objected to the PTO's publication of Lewis' complaint in its media campaign because the PTO had not made Lewis' complaint publicly available along with ISC's response in a neutral forum, because the PTO had unfairly characterized ISC as a "scam," and because the PTO had

gone to the news media, i.e., Peter Barnes of Tech TV, to publicly identify ISC with Lewis' complaint.

43. The PTO's actions in illegally publicizing Lewis' complaint outside a neutral public forum, and in illegally denying ISC the right to notice and an opportunity to respond, are final, and are not subject to any administrative review or appeal procedures. The only review of the PTO's action which ISC may obtain is through this court.

44. In conducting its illegal media campaign in which it targeted ISC and publicized Lewis' complaint through television advertisements and on its web site, and identified ISC with Lewis' complaint through its contacts with Barnes of Tech TV, and in failing to provide ISC with notice of Lewis' complaint and an opportunity to respond, and failing to make the Lewis complaint and response available only in a neutral public forum, the PTO has taken final agency actions in the nature of imposing sanctions and/or failing to act in accordance with the IRA and the regulations. These final agency actions are unlawful within the meaning of the Administrative Procedures Act, 5 U.S.C. §706(2), in that they are:

"(A) arbitrary, capricious, an abuse of discretion [and] otherwise not in accordance with law [the IRA];

(B) contrary to constitutional right . . . ;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right [under the IRA]; [and]

(D) without observance of procedure required by law [the IRA.] . . .

45. ISC has been subjected to irreparable harm through the PTO's actions in singling out ISC for a publicity campaign which unfairly characterized ISC as a "scam" and included Lewis' allegations to which ISC had not been permitted to respond; and publicly identifying ISC with Lewis' complaint to Peter Barnes of Tech TV at the same time it was conducting the publicity campaign. ISC has also been subjected to continuing irreparable harm in being denied rights which are guaranteed under the IRA and are provided to other invention companies, that is, the right to notice of complaints and an opportunity to respond, and the right to have the response published along with the complaint, only in a neutral forum. Through the PTO's illegal actions, ISC has been singled out as the only invention company stigmatized by the PTO as a scam in a publicity campaign.

WHEREFORE, ISC requests that the court issue a permanent injunction and/or a declaratory judgment and order the following:

- a. That the PTO and its officers, employees, agents and/or representatives be prohibited from conducting any media campaign which targets ISC and/or which publicizes the Lewis complaint or any other customer complaint concerning ISC;
- b. That the PTO and its officers, employees, agents and/or representatives be prohibited from conducting any educational campaign or activity which targets ISC and/or which publicizes the Lewis complaint or any other customer complaint concerning ISC, except in the neutral forum provided for in the IRA;

- c. That the PTO and its officers, employees, agents and/or representatives be required to remove any and all references to the Lewis complaint, and to any other customer complaint, from its web site, except in the neutral forum provided for in the IRA;
- d. That the PTO and its officers, employees, agents and/or representatives be prohibited from stating that they intend to conduct an investigation or conducting an investigation of invention promoters; categorizing any invention promoter or invention promoters as good, bad, or scams; stating or publishing any negative information regarding any invention promoters or invention promoters, except in the neutral forum provided for in the IRA; or stating an intention to or attempting to put any invention promoter or invention promoters out of business;
- e. That the PTO and its officers, employees, agents and/or representatives be prohibited from making any complaints from ISC's customers publicly available unless it provides ISC at least thirty days from the date of ISC's receipt of notice of the complaints to respond to such complaints, and makes the complaints publicly available, together with ISC's responses, in the neutral forum provided for in the IRA;
- f. That the PTO and its officers, employees, agents and/or representatives be prohibited from publicizing complaints which the customers have withdrawn within the time limits provided by the PTO;

- g. That the PTO and its officers, employees, agents and/or representatives be prohibited from soliciting complaints against ISC;
- h. That the PTO and its officers, employees, agents and/or representatives be required to publicize on its web site and elsewhere a statement that it has no authority to regulate invention promoters or invention companies, and that it has no intention to put invention promoters or invention companies out of business;
- i. That ISC be reimbursed for its reasonable attorneys' fees and costs; and
- j. Such other relief as the court shall deem appropriate.

**SECOND CAUSE OF ACTION-JUDICIAL REVIEW
UNDER GENERAL EQUITY JURISDICTION
AND THE MCANNULTY DOCTRINE**

46. The allegations contained in Paragraphs 1-45 of the Amended Complaint are incorporated by reference and repleaded herein as if fully set forth at length.

47. The IRA and the PTO's regulations require that the PTO provide a neutral public forum to publicize customer complaints together with the invention promoters' responses. The PTO was not granted authority to make complaints publicly available outside the neutral public forum and without the invention promoter's response.

48. The Lewis complaint received by the PTO on or about August 2001 was clearly marked as being made pursuant to the IRA.

49. The PTO knowingly acted in excess of its authority with an intent to penalize ISC and put ISC out of business and otherwise interfere with ISC's business relationships by using the Lewis complaint to proclaim publicly the misleading and untrue message that it had, in effect, verified the truth of the customer's allegations and determined, based on an investigation, that Lewis was scammed by ISC and that other inventors and third parties should not deal with ISC.

50. The content and context of the PTO's publication, as well as the PTO's public efforts to connect Lewis' complaint to ISC, resulted in the audience knowing that ISC was the company featured in the PTO media campaign.

51. In conducting its illegal media campaign in which it targeted ISC and publicized Lewis' complaint through television advertisements and on its web site, and identified ISC with Lewis' complaint through its contacts with Barnes of Tech TV, and in failing to provide ISC with notice of Lewis' complaint and an opportunity to respond, and failing to make the Lewis complaint and response available only in a neutral public forum, the PTO has engaged in *ultra vires* actions which are reviewable under the Court's general equity jurisdiction and the McAnnulty Doctrine. It is further alleged that the various actions alleged in this complaint were *ultra vires* and subject to review by this Court.

52. Under equity jurisdiction and the McAnnulty Doctrine, ISC is entitled to judicial review of the PTO's *ultra vires* actions which are in excess of its statutory authority and/or violates ISC's individual rights.

53. ISC has no adequate remedy at law, as the PTO's *ultra vires* actions and violation of ISC's individual rights are not subject to any administrative review or appeal procedures. The only review of the PTO's action which ISC may obtain is through this court and Congress has not expressly precluded review of the PTO's actions under the IRA.

54. As a direct and proximate consequence of the PTO's *ultra vires* actions, ISC has suffered irreparable harm to its business in being stigmatized by the PTO in a publicity campaign which illegally characterized ISC as a "scam" and included Lewis' false allegations to which ISC had not been permitted to respond; and publicly identifying ISC with Lewis' complaint to Peter Barnes of Tech TV at the same time it was conducting the publicity campaign. ISC has been denied constitutional and other individual rights, as well as rights which are guaranteed under the IRA, and are provided to other invention promoters, that is, the right to notice of complaints and opportunity to respond, and the right to have the response published along with the complaint, only in a neutral forum. Through the PTO's *ultra vires* actions, ISC has suffered harm in the form of lost business and damage to its relationships with third parties as a result of these actions.

WHEREFORE, ISC requests that the court issue a permanent injunction and/or a declaratory judgment and order the following:

- a. That the PTO and its officers, employees, agents and/or representatives be prohibited from conducting any media campaign which targets ISC and/or which publicizes the

Lewis complaint or any other customer complaint concerning ISC;

- b. That the PTO and its officers, employees, agents and/or representatives be prohibited from conducting any educational campaign or activity which targets ISC and/or which publicizes the Lewis complaint or any other customer complaint concerning ISC, except in the neutral forum provided for in the IRA;
- c. That the PTO and its officers, employees, agents and/or representatives be required to remove any and all references to the Lewis complaint, and to any other customer complaint, from its web site, except in the neutral forum provided for in the IRA;
- d. That the PTO and its officers, employees, agents and/or representatives be prohibited from stating that they intend to conduct an investigation or conducting an investigation of invention promoters; categorizing any invention promoter or invention promoters as good, bad, or scams; stating or publishing any negative information regarding any invention promoters or invention promoters, except in the neutral forum provided for in the IRA; or stating an intention to or attempting to put any invention promoter or invention promoters out of business;
- e. That the PTO and its officers, employees, agents and/or representatives be prohibited from making any complaints from ISC's customers publicly available unless it provides ISC at least thirty days from the date of ISC's receipt of notice of the complaints to

respond to such complaints, and makes the complaints publicly available, together with ISC's responses, in the neutral forum provided for in the IRA;

- f. That the PTO and its officers, employees, agents and/or representatives be prohibited from publicizing complaints which the customers have withdrawn within the time limits provided by the PTO;
- g. That the PTO and its officers, employees, agents and/or representatives be prohibited from soliciting complaints against ISC;
- h. That the PTO and its officers, employees, agents and/or representatives be required to publicize on its web site and elsewhere a statement that it has no authority to regulate invention promoters or invention companies, and that it has no intention to put invention promoters or invention companies out of business;
- i. That ISC be reimbursed for its reasonable attorneys' fees and costs; and
- j. Such other relief as the court shall deem appropriate.

Respectfully submitted,

INVENTION SUBMISSION
CORPORATION

By Counsel

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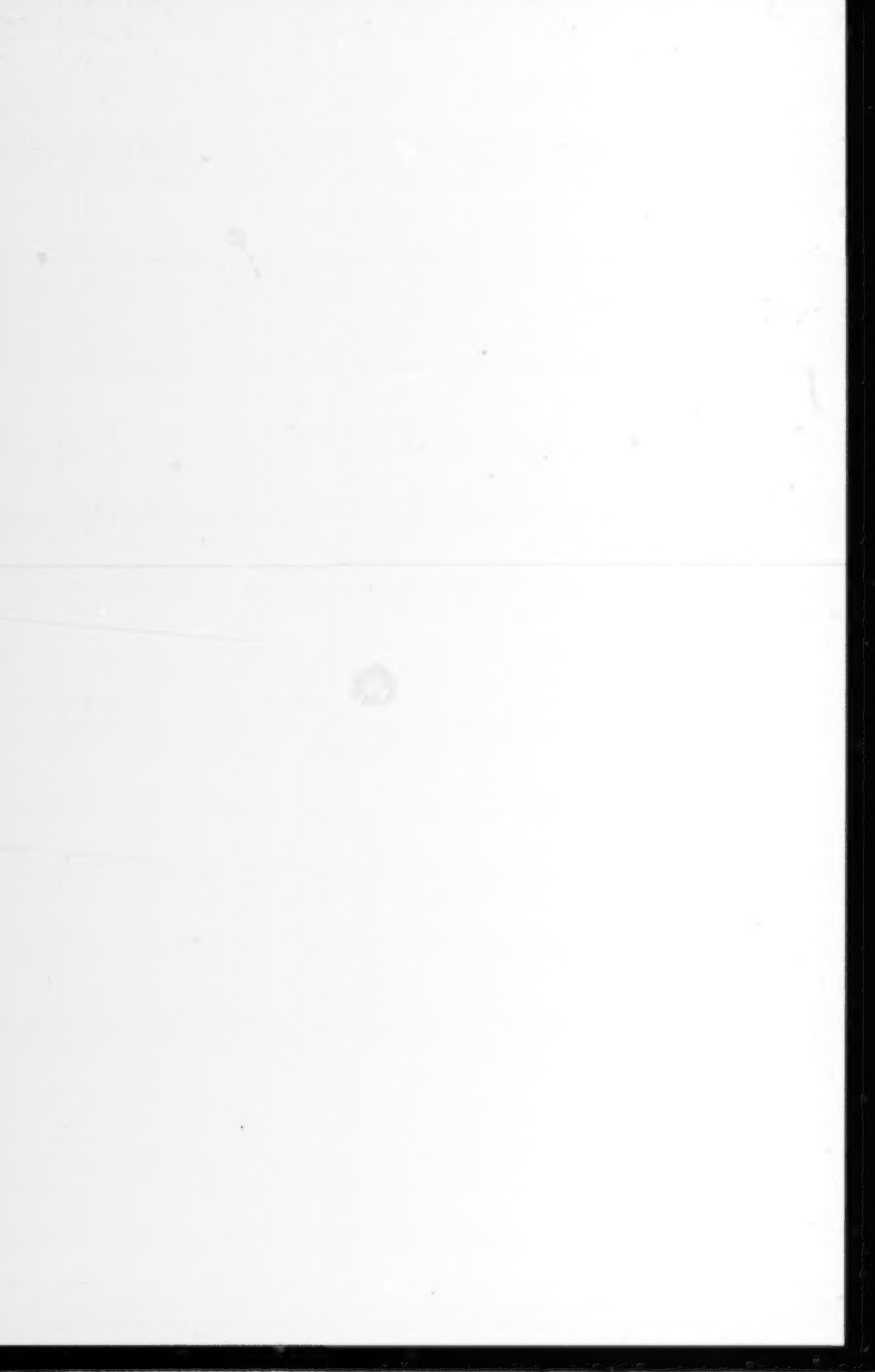
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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Amended Complaint was hand delivered this 5th day of May, 2004 to:

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/s/ Richard C. Sullivan, Jr.
Richard C. Sullivan, Jr.



DEC 9 - 2005

No. 05-376

In the Supreme Court of the United States

INVENTION SUBMISSION CORPORATION, PETITIONER*v.***JONATHAN W. DUDAS, UNDERSECRETARY OF
COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR, PATENT AND TRADEMARK OFFICE**

***ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT***

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTION PRESENTED

Whether, after the court of appeals held that petitioner had failed to preserve a particular claim before the district court and remanded with express instructions to dismiss the case, the district court on remand erred by dismissing the case, in keeping with the mandate, and denying plaintiff's motion to amend its complaint to add a claim that the court of appeals had declined to reach because it had been waived.

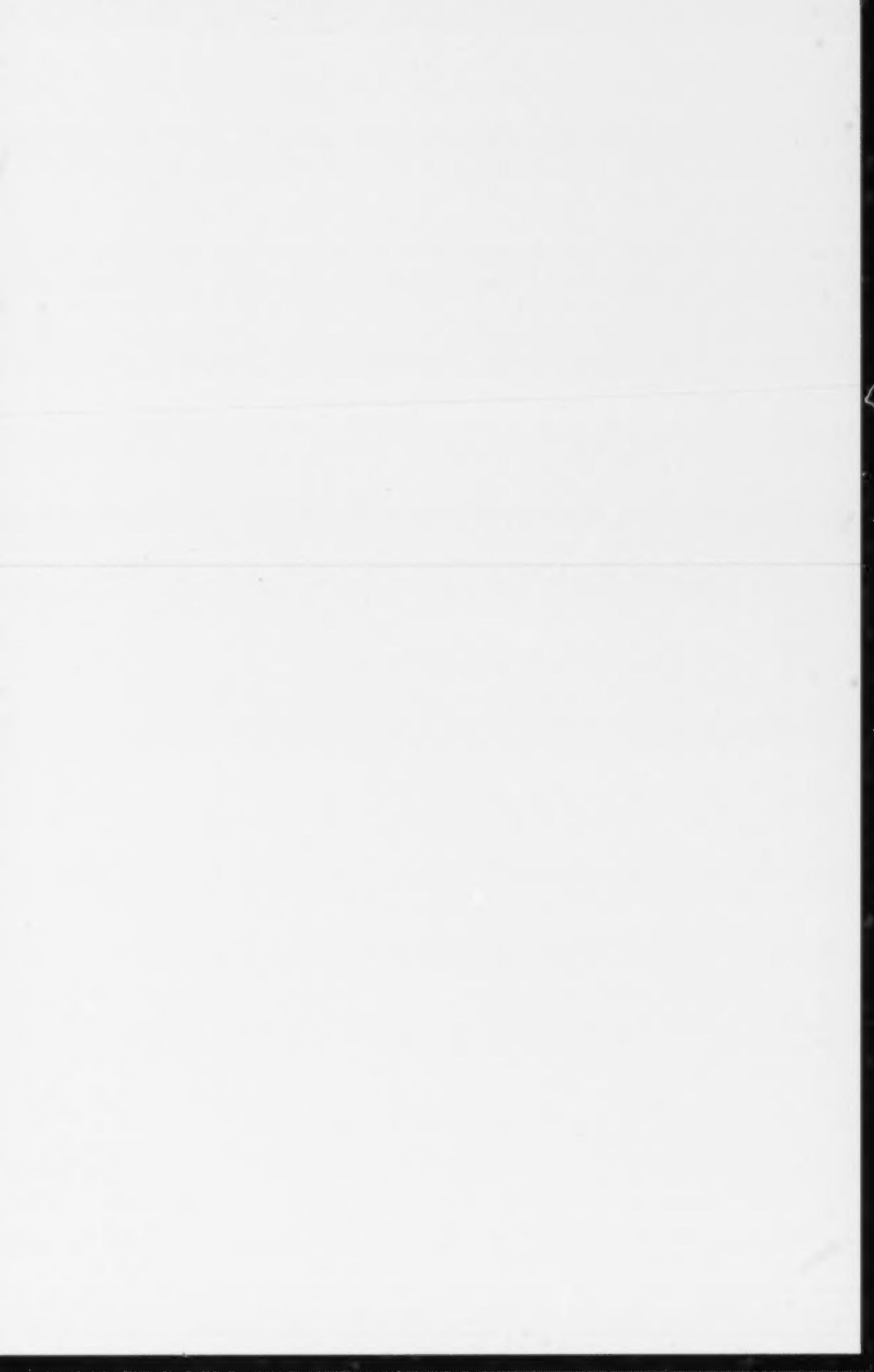


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*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT*

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1-10) is reported at 413 F.3d 411. The order of the district court (Pet. App. 11-15) is unreported.

JURISDICTION

The judgment of the court of appeals (Pet. App. 17-18) was entered on June 24, 2005. The petition for a writ of certiorari was filed on September 20, 2005. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Congress enacted the Inventors' Rights Act of 1999 (IRA or Act), 35 U.S.C. 297, "to curb the deceptive practices of certain invention promotion companies." H.R. Conf. Rep. No. 464, 106th Cong., 1st Sess. 118

(1999). The IRA protects inventors from invention promotion scams in several ways. First, the Act mandates that invention promoters disclose to potential clients certain pertinent information about their businesses, such as the number of existing clients who have made a profit. 35 U.S.C. 297(a). Second, the Act creates a civil remedy for any inventor injured by an invention promoter's deception. 35 U.S.C. 297(b). Finally, the Act directs the Patent and Trademark Office (PTO) to make "publicly available" "all complaints received by [it] involving invention promoters * * *, together with any response of the invention promoters." 35 U.S.C. 297(d). The PTO has implemented its statutory authority by establishing "a forum for the publication of complaints concerning invention promoters." 37 C.F.R. 4.1. Complaints are not posted until the invention promoter has had an opportunity to file a reply, and the complainant may withdraw the complaint "at any time prior to its publication." 37 C.F.R. 4.3(f), 4.4(a).

In 1999, the PTO created the Office of Independent Inventor Programs (OIIP) to assist independent inventors by "simplifying their access to our patent system." See PTO Press Release No. 99-27 (Sept. 8, 1999) <<http://www.uspto.gov/web/offices/com/speeches/99-27.htm>>. The OIIP "works to educate independent inventors about invention marketing firms and the scams that may affect these inventors and offer information on avoiding these problems." *Ibid.* In addition to posting complaints and responses concerning invention promoters, as required by the IRA, the OIIP's web site offers "educational and outreach programs for independent inventors, covering all aspects of the patent and trademark process, including how to file an application and what's patentable." *Ibid.*

2. In January 2002, the PTO initiated an advertising campaign in order to warn the public of potential problems with invention promoters and to encourage inventors to utilize the OIIP's services. Pet. App. 3-4. In a press release describing the forthcoming campaign, the PTO noted that the agency's advertisements would feature "an actual inventor, Edward Lewis, who lost several thousand dollars." *Id.* at 24 (quotation marks omitted). In the advertisements, Lewis described how he had spent \$13,000 on the services of an invention promotion company but "ha[d]n't seen a penny." *Ibid.* (quotation marks omitted). The advertisements did not accuse any particular promotion company of engaging in scams, nor did they identify the company to which Lewis referred. *Id.* at 33.

A cable television journalist who saw the advertising campaign conducted his own interview with Mr. Lewis, and his network published a story in which it disclosed that petitioner, Invention Submission Corporation, was the invention promotion company with which Lewis had dealt. Pet. App. 24. The story reported that Lewis had filed a complaint against petitioner with the PTO and that petitioner denied Lewis's accusations. *Id.* at 24-25. In addition, the cable story disclosed that the Federal Trade Commission had investigated petitioner in the 1990s "for misrepresentation in patent marketing schemes," and that petitioner had settled the matter by refunding \$1.2 million and agreeing to change its practices. *Ibid.* (quotation marks omitted).

As reported in the cable story, Lewis had, in fact, filed a complaint with the PTO against petitioner. Pet. App. 25. The dispute was apparently resolved, and because Lewis withdrew his complaint prior to any re-

sponse by petitioner, his complaint was never posted on the PTO's web site. *Ibid.*

3. Shortly after resolving Lewis's claim, petitioner filed the present suit in the United States District Court for the Eastern District of Virginia against the Director of the PTO. Petitioner sought declaratory and injunctive relief, alleging that "the PTO's use of Lewis' complaint in its media campaign was a final agency action which is reviewable under the" Administrative Procedure Act (APA), 5 U.S.C. 551 *et seq.* Pet. App. 42. The district court held that petitioner's "complaint fail[ed] to state a cause of action under the APA" because there was no "final agency action." *Id.* at 42-43.

4. The court of appeals affirmed. Pet. App. 21-36. The court agreed with the district court that "the PTO's advertising campaign was not a final agency action." *Id.* at 22. In a footnote, the court noted that petitioner "also seeks to justify the federal court's jurisdiction on its general equity jurisdiction to review unlawful actions of officials of an administrative agency, under the 'McAnnulty Doctrine.'" *Id.* at 29 n.* (citing *American Sch. of Magnetic Healing v. McAnnulty*, 187 U.S. 94 (1902)). The court expressly declined to address the question whether the "'McAnnulty Doctrine' * * * provides a basis for judicial review of unlawful agency action" because petitioner "did not present this theory to the district court," but had raised it "for the first time on appeal." *Ibid.*

The court of appeals concluded that, in light of the absence of final agency action, the appropriate basis for dismissal was for lack of jurisdiction, under Federal Rule of Civil Procedure 12(b)(1), rather than for failure to state a claim, under Rule 12(b)(6). Pet. App. 36. The court of appeals' opinion therefore specified that the

district court's order was "vacate[d]" and that the case was "remand[ed] with instructions to dismiss this case under Federal Rule of Civil Procedure 12(b)(1)." *Ibid.*

5. Petitioner filed a petition for a writ of certiorari seeking review by this Court.¹ Among the arguments raised in that petition was a claim that certiorari was appropriate to address the availability of judicial review of an agency's allegedly *ultra vires* acts pursuant to the *McAnnulty* decision. 04-40 Pet. 9-12. The Court denied certiorari on November 1, 2004. 125 S. Ct. 415.

6. After the court of appeals' mandate issued, and while the petition for certiorari was pending, petitioner sought to file an amended complaint in the district court to add a claim under *McAnnulty*. The district court denied petitioner's motion, which the court explained sought "to re-plead [petitioner's] allegations under an entirely new legal theory, the *McAnnulty* Doctrine." Pet. App. 13. The court stated that the court of appeals "did not direct the Court to reopen the case or consider the applicability of the *McAnnulty* Doctrine," and thus, "[u]nder the mandate rule, all this Court is authorized to do is dismiss this civil Complaint." *Ibid.* The court further noted that "[i]n addition to violating the mandate rule, to allow the [petitioner] to amend its Complaint by adding a completely new legal theory * * * would defeat notions of judicial economy and finality." *Id.* at 14.

7. The court of appeals again affirmed. Pet. App. 1-10. The court explained that "[i]n general, once a case has been decided on appeal and a mandate issued, the lower court may not deviate from that mandate but is required to give full effect to its execution." *Id.* at 8. The court of appeals stated that the mandate rule is "a

¹ Petitioner did not request a stay pending disposition of its petition.

more powerful version of the law of the case doctrine," *ibid.*, and that "[d]eviation from the mandate rule is permitted only in a few exceptional circumstances, such as (1) a change in "controlling legal authority"; (2) discovery of "significant new evidence"; and (3) "when 'a blatant error in the prior decision will, if uncorrected, result in a serious injustice.'" *Ibid.* (quoting *United States v. Aramony*, 166 F.3d 655, 662 (4th Cir.), cert. denied, 526 U.S. 1146 (1999), and *United States v. Bell*, 5 F.3d 64, 67 (4th Cir. 1993)). The court held that "none of these exceptions applies here." *Ibid.*

The court of appeals went on to consider "the scope of [the] mandate" and to determine "whether the district court faithfully executed it." Pet. App. 8. The court pointed out that its mandate "directed the district court to dismiss this case for lack of subject matter jurisdiction and, on its face, d[id] not authorize the district court to open the case for further adjudication." *Id.* at 9. Consistent with the mandate, the district court "was not free to do anything else but to dismiss the case." *Ibid.* Characterizing its instruction as "clear, direct, and limiting," the court of appeals "conclude[d] that the district court followed the mandate as directed." *Ibid.*

The court of appeals explained that petitioner's reliance on a footnote in the court's prior opinion discussing *McAnnulty* was "misplaced." Pet. App. 9. That footnote, the court stated, "simply took note" that petitioner "had not preserved that issue for consideration on appeal," and the court of appeals had "not instruct[ed] the district court to consider that doctrine on remand." *Ibid.*